

CITY OF VISALIA

NEW CONSTRUCTION DEFERRED 2ND MORTGAGE LOAN PROGRAM Guidelines

For:
HOME Investment Partnership Program Funds



Serving the
City of Visalia

(November 2010)

New Construction Deferred 2nd Mortgage Loan Program Policies & Procedures

Article I. General

The City of Visalia is provided HOME Investment Partnership Funds by the U. S. Department of Housing and Urban Development (HUD). The City contracts with an administrator to process loans for this new program.

The Program is a HOME funded (Federal Funds) allocated to assist eligible very-low, low households (up to 80% of the median income for the area) in purchasing a newly constructed home within the city limits and specifically within a subdivision in which the City has been provided a proposal by the Developer to contribute to the borrower's loan/costs. All program requirements are defined in the Federal Regulations, 24 CFR 92- Home Investment Partnership Funds.

The Program provides a portion of the eligible applicant's total down payment referred to as "Gap Financing" or Second Mortgage", necessary to complete the purchase transaction.

The maximum purchase price of the home can not exceed 95% of the FHA 203(b) mortgage limit at the time of City application submission. The borrower or participating Developer is required to provide down payment funds in an amount equal to a minimum of three percent (3%) of the purchase price, and closing costs not covered by the principal or program loan. The "second" mortgage can be used on participating developers newly constructed home. A maximum of \$20,000 second mortgage can be applied to an eligible home purchase. If additional funds are required, an exception shall be requested, however the total shall not exceed \$25,000.

This assistance will provide the eligible participant a 30-year loan. Payments on the loan will be deferred for fifteen (15) years. Interest will accrue at two percent (2%) simple interest. At the end of the fifteen year deferral period, City will require repayment on a monthly basis for a period of fifteen (15) years. At the end of the repayment period, any unpaid principle, interest and fees are due and payable.

Affordability Covenant. Borrower agrees to sell the Property only to a qualified household of Low-Income, as that term is defined by the Department of Housing and Urban Development ("HUD"). This covenant of affordability shall remain for fifteen (15) years from the date this Deed of Trust is recorded or until the Borrower has repaid the loan in full, whichever is longer. The City of Visalia utilizes the "Recapture" provisions identified within the 24 CFR 92.254 (a) (4) (ii) A) (1).

The loan will be in default if the borrower fails to maintain required fire insurance and, if in a flood zone, flood insurance, or fails to pay property taxes. The loan must be paid in

full if refinancing the first mortgage with additional funds taken, such as cash, payment of other debts. If the first mortgage is being considered for refinance only, the City may consider subordination. The lender, upon written request by the owner, may contact the City to obtain the Subordination requirements. The loan is not assumable. Rental of the property and/or contracts of sale are prohibited and will cause the loan to be accelerated.

Section 1.01 Definitions

Annual Income (HOME FUNDS) - The HOME program has income targeting requirements for the HOME program and for HOME projects. Therefore, the participating jurisdiction must determine if each family is income eligible by determining the family's annual income. The participating jurisdiction must calculate the annual income of the family by projecting the prevailing rate of income of the family at the time the participating jurisdiction determines that the family is income eligible. Annual income shall include income from all family members. (Federal Regulations, 24 CFR 92.203 (b) (1), which references 24 CFR 5.609). **See Appendix "A"**.

Applicant/Participant - person(s) applying for the (second mortgage) City program loan

Building Permit – shall mean a document issued by the City of Visalia's Building Division/Department allowing completion of specific types of construction work.

Contractor/Loan Servicer – Loan Company servicing the second mortgage and underwriting the second mortgage, contracted with the City of Visalia (Currently AmeriNational Community Services, Inc.)

Deed of Trust – shall mean a legal document in which title to property is transferred to a third party trustee as security for an obligation owed by the trustor (borrower) to the beneficiary (lender).

Displaced homemaker an individual who is 1) an adult; 2) has not worked full-time full-year in the labor force for 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. (24 CFR 92.2 definition)

Family - defined as the basis for the calculation, "family" means "all persons living in the same household who are related by birth, marriage, or adoption". (Federal Regulations, 24 CFR Part 92.2 states: Family has the same meaning given that term in 24 CFR 5.403. **See Appendix "B"**).

First-time homebuyer - means an individual and his or her spouse who have not owned a home during the three-year period prior to purchase of a home. The term first-time homebuyer also includes an individual who is a displaced homemaker or single parent, as those terms are defined in **Appendix "B"**. An individual shall not be excluded from consideration as a first-time homebuyer on the basis that the individual owns or owned, as a principal residence during the three-year period, a dwelling unit whose structure is not permanently affixed to a permanent foundation in accordance with local or other applicable regulations or is not in compliance with State, local, or model building codes, or other applicable codes, and cannot be brought into compliance with the codes for less than the cost of constructing a permanent structure. (Refer also to the first mortgage underwriter requirements)

Home Investment Partnerships Program (HOME) – Home was created by the 1990 Cranston-Gonzalez National Affordable Housing Act and provides funds to participating jurisdictions to increase the supply and affordability of housing and home ownership for low-income families.

Household – means one or more persons occupying a housing unit

Income Limits - all participants under the City programs will have their family income documented. Income documentation will certify that they meet the definition of a low-income family as defined by the income limits published annually by HUD for the maximum median family income (MFI). The income limits in place at the time of loan approval by the City of Visalia will apply when determining applicant income eligibility. All applicants must have incomes at or below 80% of local median income, adjusted for family size, for Visalia-Porterville-Tulare Metropolitan Statistical Area, California, County of Tulare.

Low Income – an income that does not exceed eighty percent (80%) of the area's median family income as established by the U. S. Department of Housing and Urban Development.

Primary Lender - loan company handling the first mortgage loan and assisting with the application for the second mortgage.

Program Administrator: The City has the option to contracted with a non-profit company to administer its program at anytime.

Single Parent: is an individual who is; 1) unmarried or legally separated from a spouse; and 2) has one or more minor children of whom the individual has custody or joint custody, or is pregnant.

Small Families – four (4) or fewer persons

Section 1.02 City's role

The City will: 1) confirm that the housing unit is within the eligible area, and 2) will confirm that the housing unit is within a participating developer's subdivision; and 3) will confirm the confirm the developer contribution; 4) will complete an environmental review; 5) will reserve funding and provide internal account number to reference; 6) will review each proposed housing unit to ensure that it meets all eligibility criteria before funding; and 7) will oversee administration of the program; 8) will oversee CSET's education and outreach

Section 1.03 Finance Division's Role

The City of Visalia Finance Division will wire funds to AmeriNational as loans become eligible for funding.

Section 1.04 Developer role

The City has been working closely with local developers with subdivisions within the City of Visalia limits. Six developers have submitted proposals to the City to participate in providing affordable housing to families with income at or below 80% of the area median income, as well as providing contributions to the borrower and program.

The City agrees to reserve certain dollars of Program HOME funds for One Hundred Eighty (180) days from Effective Date of the Developer Agreement (the "Reservation Period") to allow Developer to complete all of the following tasks:

1. Identify Qualified Borrowers who have qualified for an approved fixed rate and term first mortgage loan for each home identified in Developer's Proposal.
2. Present to City Qualified Borrowers for the purpose of completing all necessary documentation for approval of a HOME fund loan to the Qualified Buyers by City.
3. Enter into real property purchase and sale agreements with Qualified Borrowers, and open escrows with the Qualified Borrower's for the disposition of the homes identified in Developer's Proposal.

Within Ninety (90) days from the date Developer and a Qualified Borrower have completed all of the requirements of Section III(A) above, Developer and Qualified Borrower shall have completed all actions necessary for disbursement of City's HOME fund loan to the Qualified Borrower into the escrow for the disposition of the Property to the Qualified Borrower, and Developer and Borrower shall close the escrow and effectuate the transfer of title for the property to the Qualified Borrower. Failure by Developer and Qualified Borrower to close escrow within the timeframe identified in this Section may result in the termination of the approval for the HOME loan to the Qualified Borrower and the reservation of those Program HOME funds for use with Developer's proposal.

As Developer identifies Qualified Borrowers who desire to purchase the new homes identified in Developer's Proposal, City will work directly with the Qualified Borrower to arrange for the making of City's HOME fund loan from the Program funds set aside pursuant to this Section, and in conjunction with Qualified Borrower's purchase of a property identified in Developer's proposal.

A Developer Agreement has been executed between the City of Visalia and the participating developer that depicts the city and developer contribution as well as other requirements to be a participating developer. Participating Developer/Builder are listed as **Appendix "D"**.

Section 1.05 CSET's role

CSET will: 1) perform workshops to educate approved loan applicants; 2) Submit invoice to City for payment of housing counseling.

Section 1.06 Outreach and Homebuyer Education

The seller (Developer) understands that the borrower must attend housing counseling and that an applicant is not deemed "approved" until the City's underwriter has reviewed the first mortgage underwriting, the borrower meets the HUD income limits and the borrower meets the City's program underwriting criteria.

The City or its Administrator will work closely with real estate agents and primary lenders to explain the Program requirements for eligible properties and homebuyers, and to review Program processes. The borrower(s) will be required to participate in the

homebuyer's education class to obtain City funding. These classes are conducted by CSET. Participating homebuyers must complete the homebuyers' workshop prior to obtaining city funding. A Certificate of Achievement will be provided to the borrower example: **Attachment Six**

Affirmative marketing steps consist of actions to provide information and otherwise inform eligible persons in the housing market about the Program without regard to race, color, national origin, sex, religion, familial status or disability. The affirmative marketing requirements and procedures adopted are listed within the CFR 92.351 (2).

All outreach efforts will be done in accordance with State and Federal laws. Homebuyer classes will be conducted to help educate homebuyers regarding the purchasing process and future responsibilities. The City or its Administrator will work closely with local real estate agents and primary lenders to explain the Program requirements for eligible housing units and homebuyers, and to review the Program process.

Section 1.07 Participation Requirement- Borrower

The homebuyer will work with their lender to complete forms referenced within the Program Guidelines. **Attachment One, Part Two; Attachment Two, Parts One & Two; Attachment Three; and Attachment Five, Parts One & Two**

Within these guidelines, the borrower will also have read and signed the "Receipt by Buyer" form **Attachment Four** which indicated that they have read and understand the program guidelines, policies and procedures.

The borrower will be required to complete and submit the "Newly Constructed Home City Deferred 2nd Mortgage Loan Pre-Funding Request Form" **Attachment One, Part One**, along with the "New Construction City Deferred 2nd Mortgage Program Certification and Request form" **Attachment One, Part Two**. These forms will accompany their City Loan application, income worksheets and any other documentation referenced within the underwriting guidelines.

Participants will have their primary lender submit a full mortgage package to CITY or its loan servicing agency upon City acknowledgement. Then a checklist will be completed along with a letter **Attachment Ten** to the lender to confirm what documents are required as a part of the application process. Applications are only deemed complete if all information is completed, the application is signed and dated, a primary lender's pre-qualification letter is attached to the application with reference to the Developer, any contribution, loan amount and other pertinent information requested. When an applicant is pre-qualified, they will have a maximum of 120-days to complete construction and escrow.

Section 1.08 Property requirements and disclosures

Only new construction single family dwellings within a participating developer's subdivision are eligible.

Declaration is required declaring the sale is voluntary, the estimated fair market value of the property and informing that that the buyer would like to purchase the property.

The borrower must understand the program guidelines, Deed of Trust, Owners Participation Agreement, Note and Truth In Lending Statements as part of the Certification Workshop and participation of the program. (Attachment One, part three)

Section 1.09 City Application

An application for the City's Program must be completed by the borrower. The application is submitted to the City or its Program Administrator for preliminary review of pre-qualifications. **(Attachment Two, Part One)**

The application preliminary review will consist of: 1) Income qualification (based on the number of family/household members); and 2) confirm that the purchase price of the home is within the program requirements; and 3) confirm that the home is within a participating developer's subdivision; and 4) review pre-approval of a first mortgage underwriting; and any other documentation required to confirm eligibility and/or qualifications.

The application will be reviewed by the City of Visalia. No funds are deemed "reserved" until the City authorizes the application. Reservation of City funding is not a confirmation of funding. The borrower must meet all program underwriting guidelines.

Section 1.10 City loan processing and servicing

Upon reservation of funding, lender will submit all required documentation needed to participate in the program. City's loan servicing agency shall complete the underwriting review. The City's underwriter will send the 1st mortgage lender a letter with instructions. **(Attachment Eleven)**

The City's Loan Servicing Agency's underwriter will review the application and make a determination, thereafter, providing CITY with a Final Loan Recommendation (FLR) for each complete loan application submitted. It is understood that the analysis will be based upon criteria established by the City. The City utilizes guidelines established by HUD and HOME Investment Partnership Funding. The approved/signed "FLR" will be faxed back to AmeriNational Community Services to complete the transaction.

At the closing of the loan, all documentation, along with a full application and closing documents, will be maintained by the City for monitoring purposes.

The City will process applications as submitted by Developer and their lender.

Section 1.11 Fair Housing and Equal Opportunity

As a Participating Jurisdiction, the City of Visalia must administer its HOME program in a manner that provides housing that is suitable from the standpoint of facilitating and furthering full compliance with the applicable provisions of Title VI of the Civil Rights Act of 1964 (42 U. S. C. 2000d – 2000d-4), the Fair Housing Act (42 U. S. C. 3601 et seq., E. O. 11063 (3 CFR, 1959 – 1963 Comp., p. 652)) and HUD regulations issued pursuant thereto; and promotes greater choice of housing opportunities. 24 CFR 5.105

The Fair Housing Lender logo will be placed on all outreach materials. Flyers or other outreach materials will be widely distributed.

The Fair Lending Disclosure is attached as **Attachment Three**.

Section 1.12 Non-Discrimination Policy

The City and its program administrator support equal housing opportunity and shall not discriminate against any applicant for the Program on the basis of race, color, religion, handicap, sex, sexual preference, marital status, ancestry, or national origin.

Section 1.13 Anti-Displacement Policy

This program deals with only vacant new construction single family dwellings within participating developer subdivisions, within the City of Visalia.

Section 1.14 Conflict of Interest Requirements

In accordance with Title 24, Section 92.356 of the Code of Federal Regulations; conflict of interest applies. Such code indicated that no person who exercise or has exercised any functions or responsibilities with respect to activities assisted with HOME funds or who is in a position to participate in a decision making process or gain inside information with regard to these activities, may obtain a financial interest or benefit from a HOME assisted activity or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds there under, either for themselves or business ties, during their tenure or for one year thereafter. The Conflict of Interest provisions apply to any person who is an employee, agent, consultant, officer, or elected official or appointed official of the participating jurisdiction, State recipient, or sub recipient which are receiving HOME funds. Exceptions to this policy are identified within Title 24, Section 92.356 (d) to this.

Section 1.15 Dispute Resolution/Appeals Procedures

Any person/family applying for the program has the right to appeal if their application is denied. The appeal must be made in writing to the City of Visalia, Housing and Economic Development Department. The City staff has 30 days to review the appeal, seek recommendations from the loan committee, and respond in writing to the participant.

Article II. Qualifying Applicant

Section 2.01 Determining the Income of Homebuyers under HUD regulations

To qualify under the program, the family gross income shall not exceed eighty-percent 80% of the Visalia-Porterville-Tulare (107) Metropolitan Statistical Area median income. The income is adjusted by family size. The applicant will be required to provide all documentation and information to CITY and the City's loan underwriter. Documentation will be kept in the Participant file and held in strict confidence.

Sample - 2010 median family income for Visalia (area 107)* As of May 2010

	<i>Number of Persons in Household</i>							
	1	2	3	4	5	6	7	8
80% of	\$31,550	\$36,050	\$40,550	\$45,050	\$48,700	\$52,300	\$55,900	\$59,500

MFI								
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*City's Administrator will insert the limits for Visalia Area (107) in which the FTHB Program is located, and will update the income limits annually as HUD provides new information. The link to the official, HUD-maintained, income limits is:

http://www.huduser.org/datasets/il/index_il2009.html

Section 2.02 Income Qualifying Criteria

The City's Underwriter will compare the annual gross income to the income the First Mortgage Lender used when qualifying the participant(s). The First Mortgages usually obtained are FHA, CaLHFA and conventional loans, which may not calculate the income in the same manner as required by the City's Program (HUD HOME Regulation-Selected 24 CFR 5.609 Annual Income definition) The household income is the annual gross income of all adult household members that is projected to be received during the next 12-month period, which will be used to determine the participant's program eligibility.

Income will be verified by reviewing and documenting tax returns, copies of wage receipts, and other verifications. All documents must be of recent dates and kept in the applicant's file and held in strict confidence.

The City of Visalia has chosen to utilize Section 92.203 and 24 CFR 5.609 income determinations "annual income". **Appendix "A"**

The link is:

<http://www.hud.gov/offices/cpd/affordablehousing/training/calculator/definitions/part5.cfm>

Section 2.03 Definition of an Eligible Homebuyer

Co-borrowers/co-owners, other than owner occupants will not be permitted. This rule is included specifically to prohibit investors from utilizing qualified persons to purchase a property for their own investment purposes and their financial gain.

Dependent upon the first mortgage (FHA or CaLHFA), certain exceptions apply. The applicant must meet the first mortgage underwriting criteria (FHA, CaLHFA). The lender is required to provide proof documentation that meets the first mortgage underwriting criteria and the City will evaluate based upon funding sources. In accord with the first mortgage policy, the City will not move forward until confirming eligibility if in question and subject to any limitation to the City's funding sources.

Article III. Property Criteria

Section 3.01 Eligible (New Construction) Properties

- (a) An eligible home shall consist of a newly constructed single family dwelling, within a participating developer's subdivision.
- (b) If Developer began construction of homes identified in the Developer's Proposal and receives issuance of a building permit for the construction of those homes prior to January 1, 2011, the construction of that home shall comply with the building code requirements in effect for the year in which the building permit was issued. This shall include meeting the accessibility requirements of the Fair Housing Act, and all other current building code and HUD HOME funding requirements.
- (c) If a building permit issued prior to January 1, 2011, expires, the Developer must comply with the most recent building code at the time of re-issuance.
- (d) If Developer obtains issuance of a building permit after January 1, 2011, all new California building code requirements will be applicable. This will include any energy conservation, installation of fire sprinklers in accordance with 2010 California Fire Codes, 2010 California Green Building Standards Code, Title 24, Part Eleven (CALGREEN).
- (e) The home size must be sufficient to meet the needs of the participants' household, without overcrowding; generally not more than two persons per bedroom or living room.
- (f) The seller acknowledges that they understand that the property must be new (never occupied). Refer to Regulation 49 CFR 24.2 (1) (15) for definition of displaced person and 49 CFR 24.101 (b) (1) or (2). The City must receive the declaration, acknowledgement(s) as a requirement for proof that there has been no lease and that no lease was "broken" prematurely to enable the sale of the property using federal or state funds. (Attachment Five)

Section 3.02 Environmental Process

The environmental effects of each activity carried out with HOME funds must be assessed in accordance with the regulations within CFR 24 92.353. No HOME funds can be disbursed unless an environmental review has been conducted and approved by City Staff and the City's Environmental Coordinator.

Section 3.03 Flood Insurance Requirements

If the property is located within the 100-year floodplain designated by the currently published Federal Emergency Management Agency flood plain maps, flood insurance must be maintained for the term of the loan. A copy of the flood insurance policy will be provided to the City for compliance. Additionally, a copy must be submitted to the financial lending company. (24CFR 55) The City will not close escrow until verification and documentation is received.

Section 3.04 Maximum Purchase Price Requirements

HOME guidelines impose a statutory limitation on the value of assisted properties. HOME Investment Partnership Fund regulation 92.254 (2) (iii), authorizes the City, as a Participating Jurisdiction, to use the Single Family Mortgage Limits under Section 203 (b) of the National Housing Act. U.S. Department of Housing and Urban Development provides the FHA mortgage limits (maximum mortgage amounts). FHA's single family mortgage limits are set by county and are tied to increases in the loan limits established by Freddie Mac in accordance with Section 203 (b) (2) (A) of the National Housing Act, as amended (12 U.S.C. 1709). The guidelines, under Title 24 CFR 92.254, indicate that the value of the property may NOT exceed ninety-five percent (95%) of the median area purchase price as determined by the U. S. Department of Housing and Urban Development (HUD). The purchase price limit will be automatically adjusted, based on the increase in the HUD 203 (b) purchase price limits.

The program is set up to automatically adjust to ninety-five percent (95%) of the Single Family Mortgage Limits for the Tulare-Visalia-Porterville Metropolitan Statistical Area (MSA) HUD 203 (b). Income Limits change periodically. With the ability to move with the maximum mortgage limits, it allows the program to continue to generate qualified borrowers with the changing housing prices.

HUD has issued New Maximum Purchase Price Limits for 2010; however, the City of Visalia will continue using the February 2008 203(b) which offers a higher limit.

Example:

As of February 2008:

HUD 203 (b) purchase price for the single family unit is \$211,772

The maximum purchase price would be ninety-five percent (95%) of the \$211,772 which equals *\$201,183.

*\$211,772 X 95% = \$201,183 maximum.

*Automatically adjusts with the changes in HUD Section 203 (b) Single Family Mortgage Limits for the Tulare-Visalia-Porterville (MSA- 107) Statistical Area.

Verification/documentation of the HUD published MSA 203 (b) is required. Submission of the verified MSA is to be included with the application.

Sorted by: County
State: California
County: Tulare
County Code: 107
Press Enter

The mortgage limits will display the MSA Name, MSA Code, Division, County Name, State and One-Family amount. Print this document and submit it with the application.

Section 3.05 Loan to Value Ratio

The loan-to-value ratio for a Program loan, when combined with all other indebtedness to be secured by the property, should not exceed 100 percent of the sales price.

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Article IV. The First Mortgage (Primary) Loan

Section 4.01 The Primary Loan:

- (a) Prior to obtaining a second mortgage with the City a potential homebuyer must provide evidence of financing for the maximum amount the Primary Lender is willing to loan for the primary loan. The Primary Lender will use the front-end ratio of housing expenses to income to determine the amount of the primary loan and, ultimately, the Program subsidy amount required, bridging the gap.
- (b) The primary lender will analyze a homebuyer's finances to determine how much the homebuyer could afford to borrow from the primary lender towards home purchase.
- (c) The authorized types of "fixed" first mortgage loans are FHA, CaLHFA, or Conventional Freddie Mac. (Any changes to the program guidelines require review and approval by CaLHFA Bond Council in order to utilize their first mortgages in conjunction with the City second mortgage). Fannie Mae First Mortgages are not permitted at this time
- (d) Preliminary and final review of the application for reserving funds will be completed by City Staff. The City's underwriter shall review the primary lenders underwriting/ first mortgage documentation to verify that the homebuyer meets the City's funding and program requirements.

Section 4.02 Down payment requirements/costs

Participants will be required to have sufficient liquid assets to be able to provide a minimum down payment of three percent (3%) of the purchase price. The three percent (3%) down payment can be their own personal funds, any FHA approved gift or down payment program (CHADAP). This down payment requirement is in place even if the primary lender has lower down payment requirements. The "gap" financing may be expanded to include payment of non-recurring closing costs and one-time fees associated with the transaction. Again, note that when an applicant is pre-qualified by a certified primary lender, they will have located a property to purchase and enter into a sales agreement, prior to the City reserving and approving funds, including all signed required disclosures. *REMINDER: DECLARATIONS AND ACKNOWLEDGEMENTS MUST BE SIGNED BY THE BUYER, SELLER AND AGENT PRIOR TO RESERVING FUNDS. DECLARATIONS INCLUDE LEAD BASED PAINT, SELLER/BUYER VOLUNTARY, ARM'S LENGTH PURCHASE OFFER DECLARATION AND ACKNOWLEDGEMENT.

Section 4.03 Qualifying Debt Ratios

The First Mortgage Underwriter (FHA, CaLHFA or Conventional Lender) will establish creditworthiness, first mortgage repayment ability, and dependability of income. However, the City's Underwriter, through the application and documentation indicates within the "FLR" the Applicant's eligibility and instructs CITY to notify Applicant and their lender of the City's Program Requirements. CITY provides written notification to

Applicant of approval or denial with reason and, if denied, a copy of the Program's appeal procedures. See City's underwriting criteria.

- (a) The Primary First mortgage must be a fixed rate loan. The FHA approved debt ratios are utilized with the City's program. The first mortgage (principle, interest, insurance, and taxes) can't be less than 30% based on lenders and City's calculation of income and no more than 35% (generally between 30% - 35%). Both shall be referenced on the City's loan underwriting recommendation document.
- (b) The back end ratio shall be no higher than 45% which is the percentage of the borrower's monthly income that would cover the cost of PITI plus any other monthly debt payments like car or personal loans and credit card debt.

Section 4.04 Credit and the underwriter

Upon receipt of a loan application package from the certified primary lender, the City's loan underwriter (AmeriNational Community Service, Inc) will review the application package and credit report, the underwriter will provide the City with a "FLR".

The City will utilize the "FLR" to provide the underwriter with an approval to proceed or instruction to cancel the loan process. The City utilizes a guideline of:

- (a) no more than three (3) derogatory accounts in the past three (3) years
 - (i) With derogatory accounts, the date working from is the "open" date. In some cases, the underwriter will work with the first mortgage underwriter's criteria as it pertains to derogatory accounts. Any negative credit items must be explained and justified and placed on file. Derogatory accounts are acceptable only upon the approval of the first mortgage underwriting criteria, and if more than three derogatory accounts in the past three years are identified, then an explanation should be noted on file.
- (b) no bankruptcies within the past two (2) years
- (c) no established credit is acceptable if the borrower has proof of timely payments of utilities, rents or other fixed monthly obligations.

When Primary Lender requirements are met, at the end of escrow, Program funds are deposited into escrow, with required closing instructions and loan documents.

Section 4.05 Impound Account

The City requires that the participant have impound account for the payment of taxes and insurance to ensure they remain current. This must be a requirement of the first mortgage loan.

At the time of escrow closing, the City shall be named as an additional loss payee on fire, flood, if required, and extended coverage insurance for the length of the loan and in an amount sufficient to cover all encumbrances.

Article V. City Second Mortgage Loan

Section 5.01 Maximum City Loan

- (a) The amount of the loan (second mortgage) shall be the minimum amount necessary to enable the Buyer to purchase the home AFTER the Buyer secures the maximum loan (first mortgage) amount for which the Buyer qualifies from the primary lender.
- (b) The specific maximum subsidy has been established with the participating **developer and shall not exceed \$20,000**. However, if the gap exceeds this established figure, a request for an exception shall be submitted to the City for authorization. The program maximum per loan may not exceed \$25,000 and the Developer is required to complete the established number of units as referenced within the Developer Participation Agreement.
- (c) The loan shall be in the form of a second trust deed secured by a Note and Deed of Trust, subordinate to the primary loan (first mortgage).
- (d) The City will review the file, documentation and make the final approval or denial of the subsidy.

Section 5.02 Non-Recurring Closing Costs (City's Loan)

Non-recurring cost such as credit report, escrow, closing and recording fees, and title report and title insurance, and/or related costs **may** be included in the City's loan, **unless otherwise stated as part of the participating developers' contribution and referenced in the City and Developer's agreement to the borrower(s) purchase of a newly constructed home**

Section 5.03 Loan Security

Deeds of Trust and Promissory Notes will secure both the primary lenders mortgage and City second mortgage. The City's second mortgage also includes the reading, signing, notarizing and recording of an "Owners Participation Agreement".

Section 5.04 Rate of Interest

The interest will accrue at two percent (2%), simple interest for the life of the loan.

Section 5.05 Term and repayment of City Loan

The loan is deferred for a period of fifteen (15) years.

Repayment for a period of fifteen (15) years shall begin on a monthly basis beginning the month following the deferral period. Interest shall continue to accrue during the repayment. The payment will be applied first to the servicing fee indicated in the borrower's Truth In Lending, then to accrued interest, and finally to principal.

Upon maturity, or upon the sale or transfer of title, or upon discovery of willful misrepresentation or fraud in connection with the program, or when the borrower no longer occupies the home as his/her principal residence, the loan must be paid in full.

If the owner is considering refinancing, the City requires that the City's loan be paid in full if cash or additional payments to other debts are included in the refinance. Specific requirements under "Subordinations" are included as **Attachment Eight**.

Section 5.06 Affordability Parameters for Buyers

The HOME Program imposes an affordability period on projects assisted with HOME funds in order to ensure that HOME investments yield affordable housing over the long term. For Homebuyer Projects, the length of the affordability period is based on the amount of HOME funds invested in the property. Affordability Covenant. Borrower agrees to sell the Property only to a qualified household of Low-Income, as that term is defined by the Department of Housing and Urban Development ("HUD"). This covenant of affordability shall remain for fifteen (15) years from the date this Deed of Trust is recorded or until the Borrower has repaid the loan in full, whichever is longer. The City of Visalia utilizes the "Recapture" provisions identified within the 24 CFR 92.254 (a) (4) (ii) A) (1). **(Attachment Twelve)**

The Affordability period for this program is fifteen-years (15) if borrower forgoes the deferral period, otherwise, affordability period shall be for the 15 year period and until loan is paid in full, whichever is longer.

Section 5.07 Recapture Requirements

The City utilizes the "Full Recapture" provision at its option. This provision is identified within the City of Visalia's Owners Participation Resale Restriction Agreement. The recapture provisions are identified under Federal Regulations HOME Final Rule; 92.254 (ii).

The Full Recapture provision ensures the City recoups all of the HOME assistance, if the housing does not continue to be the principal residence of the family or is sold during the duration of the period of affordability.

The provision is a mechanism to recapture the subsidy, including interest. The homebuyer may sell the property to any willing buyer, however, the sale of the property, during the affordability period triggers repayment of the HOME subsidy remaining (principal and interest and any other charges associated with paying off the loan).

Article VI. Loan Processing, Underwriting and Approval

Section 6.01 Loan Packages

The Lender will be required to submit a full first mortgage application, with all documents necessary to create a loan underwriting application package upon receiving a "reservation" from CITY. The required documents for the lending package are identified under the Program guidelines and also include, but are not limited to the following:

- Participant income eligibility and repayment ability; document the total amount of the HOME loan and the total amount of the first mortgage; list the break down of loan costs; include final home inspection sign off; and any other information particular to the case
- Disclosure to Seller with Voluntary, Arm's Length Purchase Offer Declaration **(Attachment Five, part one: to be signed by borrower and their agent)**;
- Disclosure to Seller with Voluntary, Arm's Length Purchase Offer Acknowledgement **(Attachment Five, Part two: to be signed by the Seller)**
- Proof of Final Inspection of the home and all other required documentation listed in the loan package. **(Attachment Seven)**
- A requirement for receipt of the HOME funds is an appraisal of the property by the financial institution providing the first mortgage, Preliminary Title Report
- Any property located in a flood zone will be required to provide a proof of flood insurance prior to the close of escrow.
- Homeowners Insurance
- And other requirements by the first mortgage lender and HUD HOME regulations.

The first mortgage lender must, with the authorization and/or acknowledgement by CITY, overnight deliver a copy of the documents to AmeriNational Community Services, with the originals being delivered to CITY concurrently.

Section 6.02 City Underwriter process

The City's Loan Servicing Agency, reviews the submitted documentation and applications related to the first and second mortgages. Copies of the full first mortgage application are required as well in order to approve the reservation of funds. (HUD requires documentation). Verification of insurance (homeowners and flood), a proof of building inspection (Attachment Seven) are to be submitted with the "FLR", in order to make a recommendation.

If questions arise during the review process, the underwriter will be contacting both the Lender and CITY. The underwriter has ten (10) days to process and complete the recommendation. The clock will be stopped if questions arise and need verification, answers or documentation.

The Final Loan Recommendation (FLR) document is completed by the underwriter utilizing the City's program funding criteria as identified through the program Guidelines, **Attachment Nine** The underwriter will complete a FLR and submit to CITY for final approval or denial.

If the underwriter makes note of any special circumstances, noteworthy concerns or recommendations, the loan analysis, file and "FLR" will be reviewed by the City's Housing Loan and Change Order Review Committee.

Section 6.03 City final review of FLR

The City reviews the “FLR” and approves or denies the application.

(Note for City Staff: If the property is in a flood zone the 8- step process, completed in 2009, must be placed into the file regarding the environmental process)

The City’s authorized signer, signs the recommendation document (approval or denial of the “FLR”). The City faxes the “FLR” to loan underwriter along with “Reservation & Escrow Request form” (**Attachment One, part one**).

The Escrow Request form indicates the Project/Participant’s Name, Project Number, Property Address, Description, amount of the City’s approval amount of funds and the indication of either the authorized fund reservation request or approved “FLR”. In addition to the information, CITY signs as an authorization and review of all documents.

CITY faxes the signed “FLR” to the loan underwriter to complete the transaction. The City of Visalia Finance Division is then required to fund the escrow account.

The Participant has approximately one-hundred and twenty (120) days to complete escrow on the construction of a home. If the transaction nears the completion time period, and needs a time extension, the City may grant a borrower AND Developer, an additional 60 days upon reviewing a letter of explanation.

Section 6.04 Signing Second Mortgage Documents

After the approval of the FLR, CITY will meet briefly with the applicant to review, prior to signing documents, the Deed of Trust, Owners Participation Agreement, Note, Truth in Lending, and Request for Notice.

Section 6.05 Coordinating Escrow

- (a) At the time of closing escrow, all participants must have sufficient fire insurance and flood insurance, (if flood insurance is required by location in a flood plain), to cover all encumbrances.
- (b) The City's Loan Servicer prepares the loan documents and submits them to the Title Company "Overnight" delivery.
- (c) All participants will be required to have impound accounts for insurance and taxes to ensure they will stay current.
- (d) All persons listed on the title to the property must sign the Promissory Note, Deed of Trust, Owners Participation Agreement and any other applicable documents pertaining to the loan.
- (e) The documents will be executed with the applicant by a local Title Company. The local Title Company will be responsible for ensuring documents are properly recorded and that the City is in proper lien position according to the Lender's escrow instructions.
 - (i) The standard documents will be provided by the City's underwriter to the Title Company.
 - (ii) The title company will contact CITY to coordinate the review and signing of the City's documents.
- (f) Title company will hand deliver the documents to the City to review, sign and notarize.
- (g) CITY will return the signed documents to the title company for recordation.
 - (i) The original documents will be held by the City of Visalia and duplicates will be held with the loan servicing agency.

Section 6.06 Loan Servicing Fees

Loan servicing fees are identified within the Truth In Lending Disclosure and Note.

Section 6.07 Receiving Loan Payments

The contracted loan servicing agency will be the receiver of loan payments which shall maintain a financial record-keeping system to record payments and file statements on payment status. All loan payments are payable to the loan servicing agency unless otherwise notified by the City of Visalia.

Section 6.08 Loan Due Upon Sale or Transfer

Loans are due upon sale or transfer of title or upon discovery of willful misrepresentation or fraud in connection with the program, or when the borrower no longer occupies the home as his/her principal residence. The loan will be in default if the borrower fails to maintain required fire or flood insurance, or fails to pay property taxes. The loan must be paid in full if refinancing the first mortgage with additional

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Updated 11-01-10

funds taken, such as cash, payment of other debts. If the first mortgage is being considered for refinance only, the City may consider subordination. The lender, upon written request by the owner, may contact the City to obtain the Subordination requirements. The loan is not assumable. Rental of the property and/or contracts of sale are prohibited and will cause the loan to be accelerated.

Section 6.09 Loan Servicing Policies and Procedures

Upon loan approval, assisted by the Title Company, AmeriNational will wire transfer the funds into the escrow account. The Title Company will send the project proceeds and completed Control Instructions to CITY for disbursement.

Section 6.10 Loan Monitoring

The City or the City's designated loan servicing agency, will conduct loan monitoring services. Monitoring is required to ensure that the borrower and the home adhere to the City Program requirements. The services include owner-occupancy, condition of the property as it pertains to the Owners Participation Resale Restriction Agreement, tax and insurance payments and any other required monitoring.

Article VII. Other Program Provisions

Section 7.01 Refinancing and Subordination Guidelines

The City's loan may be paid off at any time. In the event that the loan for a first trust deed is refinanced, the City's Note may be subordinated under special conditions. See subordination requirements. If a participant requests "cash out" from the refinancing request, the mortgage with the City will be due and payable immediately. **Attachment Eight**

Section 7.02 Default/Foreclosure

If an owner defaults on a loan, and foreclosure procedures are initiated they will be carried out according to the Foreclosure Policy adopted by the City of Visalia.

Section 7.03 Recapture Provisions due to foreclosure

The City may choose to purchase the property at auction. The property would then be resold at fair market value, and the amount of the City's Note and Trust Deed would be recovered through the proceeds of the sale. This option would not be feasible for every foreclosed upon property, however, each property for which the City receives notification of foreclosure, would be evaluated.

Section 7.04 Relocation

Upon selection of a property, a qualified buyer must be given the necessary disclosures for the program. Any and all property and program disclosures must be reviewed and signed by the buyer and seller. To comply with requirement of the Uniform Relocations Assistance and Property Acquisition Policies Act of 1970, sellers of properties purchased with Program funds must sign the appropriate form. This form acknowledges that the seller understands that the City is providing partial funding for the purchase of the home through the program; that it is a voluntary transaction between the seller and buyer; that the City has the power of eminent domain; however, if the sales transaction

fails to be completed successfully between the seller and buyer, the City will not use the power of eminent domain that the transaction to acquire the property. The form informs the owner-seller of the fair market value of the property and that, the seller is not eligible for relocation or property acquisition benefits as a result of the transaction, and hereby waives all rights to any claims for the same.

Section 7.05 Monitoring of Program Administrator/Sub-Recipient

It is important to examine the sub-recipients or administrator's progress in designating HOME funds to eligible participants. This will identify whether performance or compliance problems exist and identify the aspects of the programs or projects that are contributing to the adverse situation. In particular, the City's "Monitoring Plan" will identify goals and strategies, identify check-points that ensure a minimum level of review for all activities, scope and frequency of the reviews, schedule of when reviews will be performed, who will perform the reviews, and identification of the program areas. CITY will be subject to in-depth, on-site reviews, follow-up activities, which include procedures for communicating the results of reviews, and procedures that monitoring staff will follow when informing their superior PJ staff (City staff) member about compliance problems.

Section 7.06 How to process a loan (Step by Step)

1. Buyer works with participating developer
 - a. Buyer will work with developer's lender to pre-qualify for a mortgage loan
 - i. A condition is stated in the offer that the seller understands that the client will accept the offer if the second mortgage with the City of Visalia is approved, in addition to the first mortgage approval.
 - ii. It is recommended that a sixty (60) day escrow be set up for completion of all loans.(120 days for newly constructed homes).
2. Lender will submit a City application to CITY to review income eligibility.
 - a. The buyer is required to complete an application, provide income taxes, verify income, and additional documentation as required by the 1st mortgage lender and City underwriter.
 - b. The buyer's Lender is required to complete a "New Construction City Deferred 2nd Mortgage Program Certification & Request Form" **(Attachment One, Part Two)**
 - c. Developer, Lender and Realtor are required to follow the City's underwriting guidelines.
3. City Staff to confirm developer's specified funding allocation.
 - a. CITY verifies that funding is available in order to submit a City of Visalia Program application by submitting preliminary information on form "City of Visalia Newly Constructed Home City Deferred 2nd Mortgage Loan Pre-Funding Request Form" **Attachment One, part one)**
 - b. CITY reviews application

- The submitted application must include completed, Name, address of property, Income, based upon HUD's income maximums, and family Size, certified verification forms (employment, income, social security, etc.) **(Attachment Two, part one-sample application)**
 - Note: No City Funds are deemed "Reserved" until the City's application and the minimum requirements have been met and the City has authorized the funding reservation. (This is not an approval of the 2nd mortgage, this is reservation (set-aside) of city funding for borrower until underwriting has been completed by 1st mortgage lender AND City's underwriter has reviewed, declared status and City has authorized funding to escrow)
- c. CITY requests a reserve of the funds
- CITY completes the "Sub-recipient project number request" form for approval of the reservation of funds along with the full application to the City for review and recommendation. Funds are not reserved until an approval is obtained from the City. **(Attachments Two, part three and Attachment Two, part one)**
 - Once the documentation is approved "New Construction Deferred 2nd Mortgage Project No. Request" form will indicate project number and preliminary review and reservation of the City funds.
- d. CSET will work with buyer(s) to complete Homeownership training and program review class. CSET informs the buyer(s) of the guidelines, restrictions, down payment requirements, covenant and loan requirements.
- e. CSET and buyer(s) confirm that they have reviewed the income guidelines, restrictions, down payment requirements and loan requirements. The borrower will signs the "Buyer Receipt" form upon receiving a reservation of funding and confirmation of understanding. **(Attachment four)**
- f. CITY verifies the maximum purchase price. HUD publishes the MSA 203 (b) for the area. Submission of the verified MSA is to be included with the application. Print a copy of the MSA and place into file. To obtain the most recent MSA log onto the web at:

www.hud.gov/offices/cpd/affordablehousing/library/homefires/volumes/2009_95percentofmedianlimits.xls

Sorted by: County
 State: California
 County: Tulare
 County Code: 107
 Press Enter

The mortgage limits will display the MSA Name, MSA Code, Division, County Name, State and One-Family amount. Print this document and submit it with the application.

2. Maximum purchase price is based on 95% of the FHA's single family mortgage limits set by the county for the Tulare-Visalia-Porterville Statistical Area, and are tied to increases in the loan limits established by Freddie Mac in accordance with Section 203 (b) (2) (A) of the National Housing Act, as amended (12 U.S.C. 1709). (95% of the single family mortgage limits).
3. HUD has issued New Maximum Purchase Price Limits for 2010; however, the City of Visalia will continue using the February 2008 203(b) which offers a higher limit.
4. A formula to calculate the maximum purchase price is as follows in this example
 - o **As of February 2008:**
 HUD 203 (b) Income limit for the single family unit was \$211,772
 The maximum purchase price would be ninety-five percent (95%) of the \$211,772 which equals *\$201,183.
*\$211,772 X 95% = \$201,183 maximum.

* Automatically adjusts with the changes in HUD Section 203 (b) Single Family Mortgage Limits for the Tulare-Visalia-Porterville (MSA- 107) Statistical Area.

4. CITY informs the Certified Lender of the results
 - a. CITY sends a letter to the lender indicating funds have been reserved and instructions in working with AmeriNational. **(Attachment)**
5. City's Loan Servicing/Underwriter review:
 - a. After funding reservation, the Lender submits the City application and a full first mortgage package to CITY. See City's underwriting guidelines
 - b. CITY will then submit all required documentation to the City's underwriter, Danny Martinez at AmeriNational Community Services:

8121 East Florence Avenue
Downey, Ca 90240
Telephone No.: (800) 367-5506
 - c. The CITY works with the Lender in obtaining the required documentation and the City's Loan Servicing Agency in processing of the loan and any other required documentation.
 - d. City's Loan Servicer process
 - i. City's Loan Servicer (AmeriNational) reviews the application of the first and second mortgage.
 - i. Checklist of forms required as **(Attachment Ten)**

- ii. If questions arise during the review process, the Loan Servicer will be contacting both the Lender and CITY.
 - iii. The Loan Servicer (AmeriNational) has a maximum of ten (10) days to process and complete the recommendation. The clock will be stopped if questions arise and need verification, answers or documentation.
 - iv. The Loan Servicer (AmeriNational) completes a “FLR” and submits this to CITY.
6. The “FLR” is faxed to the City for final review and the City approves or denies the application.
 - a. Verification of insurance (homeowners and flood), and proof of building inspection are to be submitted with the “FLR”, in order to make a recommendation. (Note for City Staff: If the property is in a flood zone the 8-step process, completed 2009, must be placed into the file regarding the environmental process) **(Attachment Seven)**
 - b. The City’s authorized signer, signs the recommendation document (approval of the “FLR”).
 - c. CITY faxes the “FLR” to AmeriNational to complete the transaction.
 - d. An “Escrow Funding Request” form is completed **(Attachment One, part one- second portion of form)**.
 - i. The Escrow Funding Request form indicates the Project/Participant’s Name, Project Number, Property Address, Description, Amount of the City’s approval amount of funds and the indication of either the authorized fund reservation request or approved final loan recommendation attachments. In addition to the information, CITY signs as an authorization and review of all documents.
7. Lender notification
 - a. Once the “FLR” is approved, Escrow Funding Request is approved and all documents are received, the Lender is notified by fax (letter) of all conditions by the City’s Loan Servicer (AmeriNational)
 - b. The Lender now requests that the loan documents be prepared by the City’s Loan Servicer (AmeriNational)
8. City’s Loan Servicer document submittal to Title Company
 - The City’s Loan Servicer (AmeriNational) prepares the loan documents and submits them to the Title Company “Overnight” delivery
9. Standard Documents required
 - a. In addition to the Loan application, proof of income, verification of employment, and other lending document requirements, the standard documents required to complete the transaction is as follows:
 - o Notice of right to cancel

- Truth in Lending
 - Promissory Note and Promissory Note Rider
 - Deed of Trust
 - Owners Participation Agreement
 - Request for Notice
 - Lender's Escrow Instructions (including conditions to close)
- b. Additional documents required are Title Insurance Policy and Flood Insurance (if applicable). These documents must be provided to CITY in order to verify that the owner has title insurance and flood insurance if in a flood zone.

10. Title Company process

- Once the Title Company receives the loan documents, the Client/Participant is required to sign the documents at that title company. The documents are then notarized.

11. Owners Participation Agreement and Right of Recession documents

- The Title Company contacts CITY to have the City sign and notarize the City of Visalia's signature for the "Owners Participation Agreement" and sign the Right of Recession form.

12. City review

- a. The City reviews the documents for the correct address, name of the participant, amount of funds and double checks the legal description for any typing errors.
- b. The City then provides the signatures and notarizations required.
- c. The City then takes a copy of the documents for audit purposes.
- d. The City then contacts title company to pick up the legal documents for recording.

13. City Loan Servicer (AmeriNational) completion

- a. Once Loan Servicer verifies all conditions outlined and the Lender's instructions have been met, the Loan Servicer is authorized to wire to title program funds. The Loan Servicing Agency's cutoff time is 11:00 am for wiring funds.
- b. Escrow is then funded and the documents are recorded at the county recorders office the following day.
- c. After the recordation of the documents, it can take anywhere from thirty (30) days to ninety (90) days to receive the recorded documents back for the City's vault files.
- d. The City's Loan Servicer (AmeriNational) sets up their loan file for payments and maintains records of all transactions.

Appendix "A"

Annual Income (HOME FUNDS) -) (Federal Regulations, 24 CFR 92.203 (b) (1), which references 24 CFR 5.609).

[Code of Federal Regulations]

[Title 24, Volume 1]

[Revised as of April 1, 2004]

From the U.S. Government Printing Office via GPO Access

[CITE: 24CFR92.203]

TITLE 24--HOUSING AND URBAN DEVELOPMENT

PART 92_HOME INVESTMENT PARTNERSHIPS PROGRAM--Table of Contents

Subpart E_Program Requirements

Sec. 92.203 Income determinations.

(a) The HOME program has income targeting requirements for the HOME program and for HOME projects. Therefore, the participating jurisdiction must determine each family is income eligible by determining the family's annual income.

(1) For families who are tenants in HOME-assisted housing and not receiving HOME tenant-based rental assistance, the participating jurisdiction must initially determine annual income using the method in paragraph (a)(1)(i) of this section. For subsequent income determinations during the period of affordability, the participating jurisdiction may use any one of the following methods in accordance with Sec. 92.252(h):

(i) Examine the source documents evidencing annual income (e.g., wage statement, interest statement, unemployment compensation statement) for the family.

(ii) Obtain from the family a written statement of the amount of the family's annual income and family size, along with a certification that the information is complete and accurate. The certification must state that the family will provide source documents upon request.

(iii) Obtain a written statement from the administrator of a government program under which the family receives benefits and which examines each year the annual income of the family. The statement must indicate the tenant's family size and state the amount of the family's annual income; or alternatively, the statement must indicate the current dollar limit for very low- or low-income families for the family size of the tenant and state that the tenant's annual income does not exceed this limit.

(2) For all other families, the participating jurisdiction must determine annual income by examining the source documents evidencing annual income (e.g., wage statement, interest statement, unemployment compensation statement) for the family.

(b) When determining whether a family is income eligible, the participating jurisdiction must use one of the following three definitions of "annual income":

(1) "Annual income" as defined at 24 CFR 5.609 (except when determining the income of a homeowner for an owner-occupied rehabilitation project, the value of the homeowner's principal residence may be excluded from the calculation of Net Family Assets); or

(c) Although the participating jurisdiction may use any of the three definitions of "annual income" permitted in paragraph (b) of this section, to calculate adjusted income it must apply exclusions from income established at 24 CFR 5.611. The HOME rents for very low-income families established under Sec. 92.252(b)(2) are based on adjusted income. In addition, the participating jurisdiction may base the amount of tenant-based rental assistance on the adjusted income of the family.

(d) (1) The participating jurisdiction must calculate the annual income of the family by projecting the prevailing rate of income of the family at the time the participating jurisdiction determines that the family is income eligible. Annual income shall include income from all family members. Income or asset enhancement derived from the HOME-assisted project shall not be considered in calculating annual income.

(2) The participating jurisdiction is not required to re-examine the family's income at the time the HOME assistance is provided, unless more than six months has elapsed since the participating jurisdiction determined that the family qualified as income eligible.

(3) The participating jurisdiction must follow the requirements in Sec. 5.617 when making subsequent income determinations of persons with disabilities who are tenants in HOME-assisted rental housing or who receive tenant-based rental assistance.

[61 FR 48750, Sept. 16, 1996, as amended at 62 FR 28928, May 28, 1997;
66 FR 6224, Jan. 19, 2001]

[Code of Federal Regulations]

[Title 24, Volume 1]

[Revised as of April 1, 2004]

From the U.S. Government Printing Office via GPO Access

[CITE: 24CFR5.609]

Appendix “A”

TITLE 24--HOUSING AND URBAN DEVELOPMENT

PART 5_ GENERAL HUD PROGRAM REQUIREMENTS; WAIVERS--Table of Contents

Subpart F Section 8 and Public Housing, and Other HUD Assisted Housing Serving Persons with Disabilities: Family Income and Family Payment; Occupancy Requirements for Section 8 Project-Based Assistance

Sec. 5.609 Annual income.

(a) Annual income means all amounts, monetary or not, which:

(1) Go to, or on behalf of, the family head or spouse (even if temporarily absent) or to any other family member; or

(2) Are anticipated to be received from a source outside the family during the 12-month period following admission or annual reexamination effective date; and

(3) Which are not specifically excluded in paragraph (c) of this section.

(4) Annual income also means amounts derived (during the 12-month period) from assets to which any member of the family has access.

(b) Annual income includes, but is not limited to:

(1) The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;

(2) The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family;

(3) Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (b)(2) 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 shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD;

(4) The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount (except as provided in paragraph (c)(14) of this section);

(5) *Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (except as provided in paragraph (c)(3) of this section);*

(6) *Welfare assistance payments. (i) Welfare assistance payments made under the Temporary Assistance for Needy Families (TANF) program are included in annual income only to the extent such payments:*

(A) *Qualify as assistance under the TANF program definition at 45 CFR 260.31; and*

(B) *Are not otherwise excluded under paragraph (c) of this section.*

(ii) *If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:*

(A) *The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus*

(B) *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 shall be the amount resulting from one application of the percentage.*

(7) *Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling;*

(8) *All regular pay, special pay and allowances of a member of the Armed Forces (except as provided in paragraph (c)(7) of this section).*

(c) *Annual income does not include the following:*

(1) *Income from employment of children (including foster children) under the age of 18 years;*

(2) *Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone);*

(3) *Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses (except as provided in paragraph (b)(5) of this section);*

(4) *Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member;*

(5) *Income of a live-in aide, as defined in Sec. 5.403;*

(6) *The full amount of student financial assistance paid directly to the student or to the educational institution;*

(7) *The special pay to a family member serving in the Armed Forces who is exposed to hostile fire;*

(8)(i) *Amounts received under training programs funded by HUD;*

(ii) *Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS);*

(iii) *Amounts received by a participant in other publicly assisted programs which are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program;*

(iv) *Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing*

a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, resident initiatives coordination, and serving as a member of the PHA's governing board. No resident may receive more than one such stipend during the same period of time;

(v) Incremental earnings and benefits resulting to any family member from participation in qualifying State or local employment training programs (including training programs not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment training program;

(9) Temporary, nonrecurring or sporadic income (including gifts);

(10) Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era;

(11) Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household and spouse);

(12) Adoption assistance payments in excess of \$480 per adopted child;

(13) [Reserved]

(14) Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts.

(15) Amounts received by the family in the form of refunds or rebates under State or local law for property taxes paid on the dwelling unit;

(16) Amounts paid by a State agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home; or

(17) Amounts specifically excluded by any other Federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the Federal Register and distributed to PHAs and housing owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary.

(d) Annualization of income. If it is not feasible to anticipate a level of income over a 12-month period (e.g., seasonal or cyclic income), or the PHA believes that past income is the best available indicator of expected future income, the PHA may annualize the income anticipated for a shorter period, subject to a predetermination at the end of the shorter period.

[61 FR 54498, Oct, 18, 1996, as amended at 65 FR 16716, Mar. 29, 2000;
67 FR 47432, July 18, 2002]

Appendix “A”

Shown below is an excerpt from “Technical Guide to determining Income and Allowances for HOME.

Chapter Three

Calculating Annual (Gross) Income

As discussed in Chapter One, the HOME Program gives PJs the flexibility to choose one of three definitions of annual income to determine whether households are eligible for participation in the HOME Program. The three definitions are:

1. Annual income as defined in 24 CFR Part 5 (Part 5 annual income);
2. Annual income as reported under the Census long form for the most recent decennial census; and
3. Adjusted gross income as defined for purposes of reporting under Internal Revenue Service (IRS) Form 1040 series for individual Federal annual income tax purposes.

PJs may use different definitions of income for each of the different HOME activities it administers. For example, a PJ may decide to use the Part 5 definition of income for its rental projects and TBRA program, and use the Census long form definition within its homebuyer and owner-occupied rehabilitation programs. However, PJs must ensure that applicants to their HOME-funded programs and activities are treated equitably. For this reason, the same income definition must be used within a particular program or activity. For example, if a PJ decides to use the Part 5 definition of annual income for its homebuyer program, it must use this definition for all applicants to the homebuyer program. It may not use the Census definition for one applicant and the Part 5 definition for another applicant.

Chapter Two discussed how and when income information must be verified. This chapter provides detailed guidance about calculating annual (gross) income using each of the three allowable definitions.

Definition 1: Annual Income as Defined in 24 CFR Part 5

The annual income definition found at 24 CFR Part 5 is used by a variety of Federal programs including Section 8, public housing and the Low-Income Housing Tax Credit Program. Annual income is used to determine program eligibility and, in some programs, the level of assistance the household will receive. This definition was formerly commonly referred to as the Section 8 definition.

The Part 5 definition of annual income is the *gross amount of income of all adult household members that is anticipated to be received during the coming 12-month period*. Each of the italicized phrases in this definition is key to understanding the requirements for calculating annual income:

- **Gross amount.** For those types of income counted, gross amounts (before any deductions have been taken) are used;
- **Income of all adult household members.** The Part 5 definition of annual income contains income “inclusions” – types of income to be counted – and “exclusions” – types of income that are not considered (for example, income of minors); and
- **Anticipated to be received.** The Part 5 annual income is used to determine eligibility and the amount of Federal assistance a family can receive. A PJ must, therefore, use a household’s expected ability to pay, rather than past earnings, when estimating housing assistance needs.

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Chapter Three – Calculating Annual (Gross) Income

Whose Income to Count

Knowing whose income to count is as important as knowing which income to count. Under the Part 5 definition of annual income, special consideration is given to income earned by the following groups of people:

- **Minors.** Earned income of minors, including foster children (age 18 and under) is not counted. However, unearned income attributable to a minor (e.g., child support, TANF payments and other benefits paid on behalf of a minor) is included;
- **Live-in aides.** If a household includes a paid live-in aide (whether paid by the family or a social service program), the income of the live-in aide, regardless of the source, is not counted. Except under unusual circumstances, a related person does not qualify as a live-in aide.
- **Persons with Disabilities.** During the annual recertification of a family's income, PJs are required to exclude from annual income certain increases in the income of a disabled member of qualified families residing in HOME-assisted housing or receiving HOME tenant-based rental assistance. 24 CFR 5.617(a) outlines the eligible increases in income. These exclusions from annual income are of limited duration. The full amount of increase to a qualified family's annual income is excluded for the cumulative 12-month period beginning on the date the disabled family member is first employed or the family first experiences an increase in annual income attributable to the employment. During the second cumulative 12-month period, the PJ is required to exclude from annual income 50 percent of any increase in income. The disallowance of increased income of an individual family member who is a person with disabilities is limited to a lifetime 48-month period.

- **Temporarily absent family members.** The income of temporarily absent family members is counted in the Part 5 definition of annual income – regardless of the amount the absent member contributes to the household. For example, a construction worker employed at a temporary job on the other side of the state earns \$600 per week. He keeps \$200 per week for expenses and sends \$400 per week home to his family. The entire amount (\$600 per week) is counted in the family's income;
- **Adult students living away from home.** If the adult student is counted as a member of the household in determining the household size (to compare against the HUD income limits), the first \$480 of the student's income must be counted in the family's income. Note, however, that the \$480 limit does not apply to a student who is the head of household or spouse (their full income must be counted); and
- **Permanently absent family members.** If a family member is permanently absent from the household (e.g., a spouse who is in a nursing home), the head of household has the choice of either counting that person as a member of the household, and including income attributable to that person as household income, or specifying that the person is no longer a member of the household.

Types of Income to Count

Exhibits 3.1 and 3.2 provide a comprehensive list of income that is included and excluded from calculations of annual income under Part 5. This list comes directly from the Federal regulations at 24 CFR 5.609. HUD updates this list when changes are made by Congress. Program administrators generally are expected to implement changes within 60 days of publication in the *Federal Register*.

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Chapter Three – Calculating Annual (Gross) Income

In general, income exclusions fall into the following categories:

- Benefits that should not be counted as income;
- Income of certain household members that should not be counted, including earned income of minors and income attributable to foster children and live-in aides; and
- Amounts that are counted as assets rather than income, such as lump-sum lottery winnings.

Welfare Rent as Income

Welfare assistance is counted as income. Most PJs will use the actual gross amount of welfare assistance the household receives. In certain “as-paid” localities, however, a special calculation is required. In an as-paid jurisdiction, welfare assistance for housing costs is established separately from the rest of the welfare assistance and may be adjusted based on the actual cost of the family’s housing.

PJs in as-paid jurisdictions must count as income the amount of general assistance a family receives plus the maximum amount of housing assistance the family *could* receive (rather than the amount the household is actually receiving).

Sample Format for Computing Part 5 Annual Income

Exhibit 3.3 shows a sample format for computing annual income using the Part 5 annual income definition.

Exhibits 3.4 through 3.7 provide examples and exercises that demonstrate how the Part 5 annual income definition is applied to individual family circumstances. Answers to the exercises are provided in each exhibit. These exhibits do not include income from assets, which is addressed below. Examples and exercises concerning asset calculation follow that discussion.

Treatment of Assets

Some assistance programs require that families “spend down” assets before they

can participate. There is no asset limitation for participation in the HOME Program. Income from assets is, however, recognized as part of annual income under the Part 5 definition. To comply with the Part 5 rules regarding assets, PJs must know: (1) what to include as assets, (2) how to compute the market and cash value of those assets, and (3) how to determine the income from the asset to be included in annual income.

What to Include as an Asset

In general terms, an asset is a cash or non-cash item that can be converted to cash. Exhibit 3.8 summarizes items that are and are not to be considered assets. (Note: it is the income earned – e.g., interest on a savings account – not the value of the asset – that is counted in annual income.) Exhibits 3.9 through 3.11 provide examples and exercises that demonstrate how income from assets is calculated. Market Value and Cash Value Assets have both a market value and a cash value. The market value of an asset is simply its dollar value on the open market. For example, the market value of a share of stock is the price quoted on the stock exchange on a particular day. A property’s market value is the amount it would sell for on the open market. This may be determined by comparing the property with similar, recently sold properties.

An asset’s cash value is the market value less reasonable expenses required to convert the asset to cash, including:

- **Penalties or fees for converting financial holdings.** Any penalties, fees, or transaction charges levied when an asset is converted to cash are deducted from the market value to determine its cash value (e.g., penalties charged for premature withdrawal of a certificate of deposit, the transaction fee for converting mutual funds to cash or broker fees for converting stocks to cash); and/or
- **Costs for selling real property.** Settlement costs, real estate transaction fees, payment of mortgages/liens

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Chapter Three – Calculating Annual (Gross) Income

against the property and any legal fees associated with the sale of real property are deducted from the market value to determine equity in real estate.

Under the rules of Part 5, only the cash value (rather than the market value) of an item is counted as an asset. If more than one person owns an asset, PJs must prorate the asset according to the applicant's percentage of ownership. If no percentage is specified or provided by state or local law, PJs must prorate the asset evenly among all owners. If an asset is not effectively owned by an individual, it is not counted as an asset.

Actual Income from Assets

Assets can generate income, and for the purpose of determining an applicant's income, the actual income generated by the asset (e.g., interest on a savings or checking account) is what counts, not the value of the asset. The income is counted, even if the household elects not to receive it. For example, if an applicant elects to reinvest the interest or dividends from an asset, it is still counted as income.

As with other types of income, the income included in annual income calculation is the income that is anticipated to be received from the asset during the coming 12 months. Several methods may be used to approximate the anticipated income from the asset. For example, to obtain the anticipated interest on a savings account, the current account balance can be multiplied by the current interest rate applicable to the account. Alternatively, if the value of the account is not anticipated to change in the near future and the interest rate has been stable, a copy of the IRS 1099 form showing past interest earned can be used.

Many PJs are surprised to learn that checking account balances (as well as savings account balances) are considered an asset. This rule is not intended to count monthly income as an asset, but rather, is recognition that some households keep

assets in their checking accounts. To avoid counting monthly income as an asset, PJs should use the average monthly balance over a six-month period as the cash value of the checking account.

Two Unique Rules

For most assets, calculating cash value and the income from the assets is straightforward. Special rules have, however, been established to address two circumstances – situations in which the assets produce little or no income, and assets that are disposed of for less than fair market value.

When an Asset Produces Little or No Income

This rule assumes that a household with assets has an increased payment ability, even if its assets do not currently produce income. (For example, a household that owns land that is not rented or otherwise used to produce income.) Rather than require the household to dispose of the property, the rule requires that an “imputed” income be calculated based on a Passbook Rate that is applied to the cash value of all assets.

This rule only applies if the total cash value of all assets is more than \$5,000. The following examples illustrate how imputed income from assets calculation is applied.

Example 1: The Cayhill family has \$6,000 (average balance over six months) in a non-interest-bearing checking account. The PJ would include in annual income an amount based on the current Passbook Rate. The calculation would be: $\$6,000 \times .02 = \120 .

Example 2: The Shaw family has \$3,000 (average balance over six months) in a non-interest-bearing checking account and \$5,500 in an interest-bearing savings account. The family reports and the PJ verifies \$150 interest on the savings account. The PJ would count the greater of the actual income from assets or the imputed income based on the Passbook Rate, as shown below:

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Chapter Three – Calculating Annual (Gross) Income

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Chapter Three – Calculating Annual (Gross) Income

Imputed income ($\$8,500 \times .02$) =	\$170
Actual income	\$150
Included in annual income	\$170

Note: Currently, each Field Office establishes the passbook savings rate to be used by the PHAs within its jurisdiction. A Field Office determines the rate based on the average interest rate received on passbook savings accounts at several banks in the local area (24 CFR 5.609 and Form HUD-50058 Family Report Instruction Booklet,⁸ p. 22). Although the new Public Housing Occupancy Guidebook,⁹ page 122, footnote 35, states that "Consistent with the Multi-family Housing Program, PHAs will use a standard 2% passbook rate," the current method described above will remain in effect until superceded by PIH Notice. Check with your state or regional HUD Field Office for the applicable Passbook Rate for your community.

Example 3: The Smiths have \$600 (average balance over six months) in a non-interest-bearing checking account. No income from assets would be counted because the family has no actual income from assets and the total amount of all assets is less than \$5,000.

When Assets are Disposed of at Less than Fair Market Value

Applicants who dispose of assets for less than fair market value (i.e., value on the open market in an “arm’s length transaction”) have, in essence, voluntarily reduced their ability to afford housing. The Part 5 rules require, therefore, that any asset disposed of for less than fair market value during the two years preceding the income determination be counted as if the household still owned the asset.

The amount to be included as an asset is the difference between the cash value of the asset and the amount that was actually received (if any) in the disposition of the asset. Consider the following examples.

Example 1: Mr. Jones cashed in stock to give a granddaughter funds for college in August 2004. The stock had a market value of \$4,500 and a broker fee of \$500 was charged for the transaction.

Market value	\$4,500
Less broker’s fee	<u>500</u>
Cash value to be considered	\$4,000

The \$4,000 in assets would be counted for any income determination conducted until August 2006 (looking forward two years from the time of disposal).

If Mr. Jones has no other assets, no income from assets would be included in annual income because the cash value of the asset is less than \$5,000. If other assets brought total assets to more than \$5,000, however, the imputed income calculation described previously would be required.

Example 2: Mrs. Dutch “sold” a piece of property to a family member for \$30,000 on July 1, 2004. The home was valued at \$75,000 and had no loans against it.

Market value	\$75,000
Less settlement costs	3,000
Less sales price	<u>30,000</u>
Cash value to be considered	\$42,000

The \$42,000 would be counted as an asset for any income determination conducted until July 1, 2006.

The \$42,000 would be combined with the cash value of other assets (if any), and an imputed income calculation would be required.

Each applicant must certify whether an asset has been disposed of for less than fair market value. Assets disposed of for less than fair market value as a result of foreclosure or bankruptcy are not included in this calculation. In the case of a disposition as part of a separation or divorce settlement, the disposition will not be considered to be less than fair market value if the applicant receives (or received) important consideration not measurable in dollar terms.

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Exhibit 3.1 – 24 CFR Part 5 Annual Income Inclusions

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| <p>1. The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.</p> <p>2. The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight-line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.</p> <p>3. Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in number 2 (above). Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD.</p> <p>4. The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount (except for certain exclusions, listed in Exhibit 3.2, number 14).</p> | <p>5. Payments in lieu of earnings, such as unemployment and disability compensation, worker’s compensation, and severance pay (except for certain exclusions, as listed in Exhibit 3.2, number 3).</p> <p>6. Welfare Assistance. Welfare assistance payments made under the Temporary Assistance for Needy Families (TANF) program are included in annual income:</p> <ul style="list-style-type: none">• Qualify as assistance under the TANF program definition at 45 CFR 260.31; and• Are otherwise excluded from the calculation of annual income per 24 CFR 5.609(c). <p>If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:</p> <ul style="list-style-type: none">• the amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus• the maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family’s welfare assistance is reduced from the standard of need by applying a percentage, the amount calculated under 24 CFR 5.609 shall be the amount resulting from one application of the percentage. <p>7. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling.</p> <p>8. All regular pay, special pay, and allowances of a member of the Armed Forces (except as provided in number 8 of Income Exclusions).</p> |
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Exhibit 3.2 – 24 CFR Part 5 Annual Income Exclusions

<ol style="list-style-type: none"> 1. Income from employment of children (including foster children) under the age of 18 years. 2. Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone). 3. Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker’s compensation), capital gains, and settlement for personal or property losses (except as provided in Exhibit 3.1, number 5 of Income Inclusions). 4. Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member. 5. Income of a live-in aide (as defined in 24 CFR 5.403). 6. Certain increases in income of a disabled member of qualified families residing in HOME-assisted housing or receiving HOME tenant-based rental assistance (24 CFR 5.671(a)). 7. The full amount of student financial assistance paid directly to the student or to the educational institution. 8. The special pay to a family member serving in the Armed Forces who is exposed to hostile fire. 9. (a) Amounts received under training programs funded by HUD. (b) Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS). (c) Amounts received by a participant in other publicly assisted programs that are specifically for, or in reimbursement of, out-of-pocket expenses incurred (special equipment, clothing, transportation, childcare, etc.) and which are made solely to allow participation in a specific program. (d) Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn 	<p style="margin-left: 20px;">maintenance, resident initiatives coordination, and serving as a member of the PHA’s governing board. No resident may receive more than one such stipend during the same period of time.</p> <p style="margin-left: 20px;">(e) Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment training program.</p> <ol style="list-style-type: none"> 10. Temporary, nonrecurring, or sporadic income (including gifts). 11. Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era. 12. Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household or spouse). 13. Adoption assistance payments in excess of \$480 per adopted child. 14. Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts. 15. Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit. 16. Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home. 17. Amounts specifically excluded by any other Federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the Federal Register and distributed to housing owners identifying the benefits that qualify for this exclusion.
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Updates will be published and distributed when necessary. The following is a list of income sources that qualify for that exclusion:

- The value of the allotment provided to an eligible household under the Food Stamp Act of 1977;
- Payments to volunteers under the Domestic Volunteer Service Act of 1973 (employment through AmeriCorps, VISTA, Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions);
- Payments received under the Alaskan Native Claims Settlement Act;
- Income derived from the disposition of funds to the Grand River Band of Ottawa Indians;
- Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes;
- Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program;
- Payments received under the Maine Indian Claims Settlement Act of 1980 (25 U.S.C. 1721);
- The first \$2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the U.S. Claims Court and the interests of individual Indians in trust or restricted lands, including the first \$2,000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands;
- Amounts of scholarships funded under Title IV of the Higher Education Act of 1965, including awards under the Federal work-study program or under the Bureau of Indian Affairs student assistance programs;
- Payments received from programs funded under Title V of the Older Americans Act of 1985 (Green Thumb, Senior Aides, Older American Community Service Employment Program);
- Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in the In Re Agent Orange product liability litigation, M.D.L. No. 381 (E.D.N.Y.);
- Earned income tax credit refund payments received on or after January 1, 1991, including advanced earned income credit payments;
- The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990;
- Payments received under programs funded in whole or in part under the Job Training Partnership Act (employment and training programs for Native Americans and migrant and seasonal farm workers, Job Corps, veterans employment programs, state job training programs and career intern programs, AmeriCorps);
- Payments by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation;
- Allowances, earnings, and payments to AmeriCorps participants under the National and Community Service Act of 1990;
- Any allowance paid under the provisions of 38 U.S.C. 1805 to a child suffering from spina bifida who is the child of a Vietnam veteran;
- Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victims of Crime Act because of the commission of a crime against the applicant under the Victims of Crime Act; and
- Allowances, earnings, and payments to individuals participating in programs under the Workforce Investment Act of 1998.

Last Modified: January 2005

Appendix “B”

Family - defined as the basis for the calculation, “family” means “all persons living in the same household who are related by birth, marriage, or adoption”. (Federal Regulations, 24 CFR Part 92.2 states): Family has the same meaning given that term in 24 CFR 5.403.

§ 5.403 Definitions.

Annual contributions contract (ACC) means the written contract between HUD and a PHA under which HUD agrees to provide funding for a program under the 1937 Act, and the PHA agrees to comply with HUD requirements for the program.

Applicant means a person or a family that has applied for housing assistance.

Disabled family means a family whose head, spouse, or sole member is a person with disabilities. It may include two or more persons with disabilities living together, or one or more persons with disabilities living with one or more live-in aides.

Displaced family means a family in which each member, or whose sole member, is a person displaced by governmental action, or a person whose dwelling has been extensively damaged or destroyed as a result of a disaster declared or otherwise formally recognized pursuant to Federal disaster relief laws.

Elderly family means a family whose head, spouse, or sole member is a person who is at least 62 years of age. It may include two or more persons who are at least 62 years of age living together, or one or more persons who are at least 62 years of age living with one or more live-in aides.

Family includes but is not limited to:

- (1) A family with or without children (the temporary absence of a child from the home due to placement in foster care shall not be considered in determining family composition and family size);
- (2) An elderly family;
- (3) A near-elderly family;
- (4) A disabled family;
- (5) A displaced family;
- (6) The remaining member of a tenant family; and
- (7) A single person who is not an elderly or displaced person, or a person with disabilities, or the remaining member of a tenant family.

Live-in aide means a person who resides with one or more elderly persons, or near-elderly persons, or persons with disabilities, and who:

- (1) Is determined to be essential to the care and well-being of the persons;
- (2) Is not obligated for the support of the persons; and
- (3) Would not be living in the unit except to provide the necessary supportive services.

Near-elderly family means a family whose head, spouse, or sole member is a person who is at least 50 years of age but below the age of 62; or two or more persons, who are at least 50 years of age but below the age of 62, living together; or one or more persons who are at least 50 years of age but below the age of 62 living with one or more live-in aides.

Person with disabilities:

(1) Means a person who:

(i) Has a disability, as defined in 42 U.S.C. 423;

(ii) Is determined, pursuant to HUD regulations, to have a physical, mental, or emotional impairment that:

(A) Is expected to be of long-continued and indefinite duration;

(B) Substantially impedes his or her ability to live independently, and

(C) Is of such a nature that the ability to live independently could be improved by more suitable housing conditions; or

(iii) Has a developmental disability as defined in 42 U.S.C. 6001.

(2) Does not exclude persons who have the disease of acquired immunodeficiency syndrome or any conditions arising from the etiologic agent for acquired immunodeficiency syndrome;

(3) For purposes of qualifying for low-income housing, does not include a person whose disability is based solely on any drug or alcohol dependence; and

(4) Means "individual with handicaps", as defined in §8.3 of this title, for purposes of reasonable accommodation and program accessibility for persons with disabilities.

[61 FR 5665, Feb. 13, 1996, as amended at 63 FR 23853, Apr. 30, 1998; 65 FR 16715, Mar. 29, 2000]

Appendix “C”

§ 24.101 Applicability of acquisition requirements.

Programs and projects receiving Federal financial assistance. The requirements of this subpart apply to any acquisition of real property for programs and projects where there is Federal financial assistance in any part of project costs except for the acquisitions described in paragraphs (b)(1) through (5) of this section. The relocation assistance provisions in this part are applicable to any tenants that must move as a result of an acquisition described in paragraphs (b)(1) through (5) of this section. Such tenants are considered displaced persons. (See §24.2(a)(9).)

(1) The requirements of Subpart B do not apply to acquisitions that meet all of the following conditions in paragraphs (b)(1)(i) through (iv):

(i) No specific site or property needs to be acquired, although the Agency may limit its search for alternative sites to a general geographic area. Where an Agency wishes to purchase more than one site within a general geographic area on this basis, all owners are to be treated similarly. (See appendix A, §24.101(b)(1)(i).)

(ii) The property to be acquired is not part of an intended, planned, or designated project area where all or substantially all of the property within the area is to be acquired within specific time limits.

(iii) The Agency will not acquire the property if negotiations fail to result in an amicable agreement, and the owner is so informed in writing.

(iv) The Agency will inform the owner in writing of what it believes to be the market value of the property. (See appendix A, §24.101(b)(1)(iv) and (2)(ii).)

2) Acquisitions for programs or projects undertaken by an Agency or person that receives Federal financial assistance but does not have authority to acquire property by eminent domain, provided that such Agency or person shall:

(i) Prior to making an offer for the property, clearly advise the owner that it is unable to acquire the property if negotiations fail to result in an agreement; and

(ii) Inform the owner in writing of what it believes to be the market value of the property.
(See appendix A, §24.101(b)(1)(iv) and (2)(ii).)

Appendix “D”

Smee Builders

- Contact: Anthony Gonzales
- Phone: (559) 788-8570
- Email: anthonyseellsrealestate@gmail.com
- Website: www.smeebuilders.com
- Subdivision Name: Oaks @ Ashley Grove at the corner of Mooney Boulevard and Riggins
- Program identified Lender: Country Club Mortgage, Sara Arce sara@ccmlans.com (ph-636-3333, c-901-2332; fx- 636-8442)

Hughes Homes Inc./ Bridge Court Homes, L.P.

- Contact: Gaylynn K Heitzig, on behalf of Everett W Hughes, Jr
- Phone: B-(559) 732-1184; C-(559) 799-5580
- Email: Heitzigs@aol.com
- Website:
- Subdivision Name: Riverbend Village on Wren and Riverbend Court, off of Ferguson and Bridge
- Program identified Lender: Kings Mortgage, Katie Alaniz (ph-713-1064, fx-13-1065) kalaniz46@me.com

McMillin Homes

- Contact: Georgina Valencia (559) 713-2660
- Email: gvalencia@mcmillin.com
- Website: www.mcmillinhomes.com
- Subdivision Name: Olde Arbour, located at the corner of Cameron Avenue and Vintage
- Program identified Lender. Wells Fargo
Diedre.nelson@symbolicfinancial.com
- And Eric.Stevens@wellsfargo.com (ph-303-9171)

Sciacca Development

- Contact: Sam Sciacca, Century 21 Jordan Link
- Phone: (559) 308-1090
- Email: sciaccac21@gmail.com
- Website: Sciaccateam.com
- Subdivision Name: Luisi Acres located on the corner of Giddings and Ferguson
- Program identified Lender: Jeremy Engle jengle@kingmortgage.com; creynoso@kingmortgage.com
-

Andy Vaccaro Construction

- Contact: Andy Vaccaro (559) 280-7753
- Email: andyvaccaro@hotmail.com
- Subdivision Name: Pinkham Ranch on Pinkham & Seeger
- Program identified Lender: Kings Mortgage

Housing Counseling- Community Services Employment Training (CSET)

- Primary Contact: Paula Maestaz, Sr. Program Specialist or Mary Ann Franco
- Phone: 559-732-4194 ext 681
- Email: paula.maestaz@cset.org

**Attachment One, Part One
City of Visalia
Newly Constructed Home City Deferred 2nd Mortgage Loan
Pre-Funding Request Form**

Developer Name:	
Subdivision Name	
Lot No.	
Plan No.	
Address:	

<i>Description</i>	<i>Amount</i>
Developer Contributions toward borrower's Loan:	
1.	
2.	
Developer Contribution to City Program:	
3. See escrow	
Totals:	

Requested Dollars from City Program to Borrower (as second mortgage):	
No. days reserving City 2 nd mortgage funding:	
Reservation No. (City internal No)	

Article VIII.

Article IX. Part II: Escrow Funding Request

Please deposit the following amounts to United States Escrow Account #9881000

<i>Description</i>	<i>Amount</i>

Documents Attached:

Authorized Fund Reservation Request

City Staff Authorization

Approved Final Loan Recommendation (FLR)

City Staff Authorization

Developer/Builder Representative

Attachment One, Part Two
**NEW CONSTRUCTION CITY DEFERRED 2ND MORTGAGE PROGRAM
 CERTIFICATION & REQUEST FORM**

Date:

RE: Certification and Request form: Participation in new construction deferred 2nd mortgage program with the City of Visalia.

To whom it may concern:

1. This is to certify that _____ and _____ is/are applying for a second mortgage loan through the City of Visalia New Construction Deferred 2nd Mortgage Program.
2. The borrower(s) is acquiring a newly constructed home located:
 - a. Developer: _____
 - b. in _____ Subdivision;
 - c. Lot No. _____;
 - d. Address: _____
3. Attached are the following worksheets completed by the borrower(s) that document their understanding of the material covered.
 - Worksheet 1 Your current monthly expenses
 - Worksheet 2 Your available cash and assets
 - Worksheet 3 Your gross monthly income
 - Worksheet 4 Your monthly debt payments
4. This is also to certify that:
 - The borrower(s) has not owned a house in the last three years (3).
 - The borrower(s) listed above has a gross family income that is at or less than 80% of the Visalia median income.
 - The borrower(s) understands that an affordability covenant shall be recorded against the property if the loan is approved, for a period of 15 years and this covenant of affordability shall remain for fifteen (15) years from the date this Deed of Trust is recorded or until the Borrower has repaid the loan in full, whichever is longer. The City of Visalia utilizes the "Recapture" provisions identified within the 24 CFR 92.254 (a) (4) (ii) A) (1).
 - The borrower agrees to sell the Property only to a qualified household of Low-Income, as that term is defined by the Department of Housing and Urban Development ("HUD").
 - The borrower(s) understands that the City's loan, if approved is a deferred payment, two percent, simple interest loan for a 15 year period and payments shall begin the 1st month after the 15th, on a monthly basis, for an additional 15 years with interest accruing at two percent (2%).

 Loan Officer Date

 Borrower Date

 Lender Name

 Co-Borrower Date

 Developer Authorization

 Date

Attachment Two, Part One



Attachment Two, Part One CITY OF VISALIA

New Construction Deferred 2nd Mortgage Program

This application has been designed for applicants participating in the New Construction Deferred 2nd Mortgage Program with a Developer listed below and the City of Visalia. This program must benefit low-to-moderate income household whose incomes do not exceed 80 percent (80%) of area median income (AMI). The borrower(s) understands that an affordability covenant shall be recorded against the property if the loan is approved, for a period of 15 years and this covenant of affordability shall remain for fifteen (15) years from the date this Deed of Trust is recorded or until the Borrower has repaid the loan in full, whichever is longer.

Participating Developers:

McMillan Homes *Olde Arbour & Eagle Creek*

Smece Builders *Oaks @ Ashley Grove*

Hughes Homes, Inc/Bridge Court Homes LP *Riverbend*

Sam Sciacca/Mike Fistolera *Luisi Subdivision*

Andy Vaccaro *Pinkham Ranch*

Program Overview/Requirements:

- Borrower must complete this application attachments to certify income of all family members and provide income taxes (accompany income forms for certification)
- Home must be within City of Visalia City Limits & within Participating Developer's Subdivision
- Home must be principal residence, cannot be rented or used as a business
- Borrower/Purchaser must seek a lender to determine purchasing ability (Pre-qualified Finance Approval)
- Purchase price can not exceed Mortgage Maximum 203b limit (above); currently \$201,183
- Meet energy, accessibility building code; encourage green building (required as of Jan 2011)
- No upgrades allowed
- Family income must be less than 80% of the area median income (Maximum Gross Family Income listed above)
- Borrowers must attend 8 hour homeowner workshop. City utilizes Community Services & Employment Training, Inc (CSET) to administer, market program & provide required 8 hr counseling workshop (free to borrower)
- The City will place affordability covenants on property- (15 years) minimum and shall remain until paid in full whichever is longer. Any resell of the property is to be made to an income qualified family

1st mortgage requirements:

- First Mortgage must be a fixed rate 30 year term loan, financed by FHA, CHAFA, or Conventional Freddie Mac (VA with approval).
- Front end mortgage debt ratio is no less than 30% and no more than 35%
- 3% down payment (1st mortgage approved gift, cash contributions are acceptable)
- Good Credit, Derogatory credit information must be approved by the first mortgage underwriter and if more than 3 derogatory credit over the last three (3) years remarks, explanation required.
- No bankruptcies within the past two (2) years
- No foreclosures

City 2nd mortgage requirements:

- City utilizes AmeriNational Community Services, Inc. as underwriter of 2nd mortgage
- Maximum deferred mortgage -up to \$20,000
- City Loan is recorded in 2nd position on new property with Covenant
- Interest Rate 2%, simple interest
- Payments will be deferred for 15 years, monthly payment shall begin thereafter for an additional 15 year period; or due and payable upon rental of property, sale or transfer of ownership.



Note: This is an application to **Reserve funds only**. This application requires the review of City of Visalia Staff. A "Reservation Number" must be obtained. 1) Contact CITY to verify the availability of funding; 2) submit application to CITY; 3) City of Visalia, will review the preliminary information and will provide a reservation of funding number only. In order to receive the funds reserved, the applicant must meet all the program and underwriting guidelines. Upon a signed authorization through the "Final Loan Recommendation Forms", the funds will be deemed approved. Please refer to your program guidelines. Due to Federal requirements, all the information in this application package is required to be completed.

A. HOUSEHOLD INFORMATION (TO BE COMPLETED BY APPLICANT)

- HOUSEHOLD NAME(S) _____
(As family will take title- & complete Table I below)
- CURRENT MAILING ADDRESS _____
- CURRENT TELEPHONE _____
- GROSS HOUSEHOLD INCOME _____

Annual income is based upon the 24 CFR 5.609 definition (Provide copy of most recent IRS Tax Forms & Complete Table II)

FAMILY SIZE **No. People in household:** One- Two- Three- Four-
Place an "X" in the box that applies - Five- Six- Seven- Eight-

- Has borrower owned a home as his/her principal residence in the past 3 years? YES _____ NO _____
- Has borrower completed the required Home Buyer's program class? YES _____ NO _____

B. DEVELOPER INFORMATION (TO BE COMPLETED BY REALTOR OR LENDER)

- DEVELOPER'S NAME: _____
- SUBDIVISION NAME: _____

C. PROPERTY INFORMATION

- SALE PRICE _____ (Sale Price Cannot exceed 95% of the FHA Maximum)
- # OF BEDROOMS _____ # OF BATHROOMS _____
- SQUARE FOOTAGE _____
- ADDRESS: _____
- LOT NO.: _____
- APN _____
- FLOOD ZONE: YES _____ NO _____

(If the property is in a flood zone, proof of insurance must be provided)

D. LOAN INFORMATION (TO BE COMPLETED BY REALTOR OR LENDER)

- LOAN AMOUNT OF 1ST MORTGAGE:\$ _____ INTEREST RATE _____ %
- TYPE OF LOAN: FHA _____ VA _____ Conv _____ OTHER _____ (check one)
- PAYMENT OF FIRST (30%-35% of family gross income) _____
- DEVELOPER CONTRIBUTION: \$ _____



- CITY 2ND LOAN AMOUNT: \$ _____ (Requested \$)
- LENDER NAME: _____ CONTACT PH# _____
- REALTOR NAME _____ CONTACT PH# _____
- TITLE COMPANY _____ CONTACT PH#: _____
- ESCROW # _____

Table I
List others who will live with you

#	Relation to Head	First name	Last names	Under 18 Y/N	Disability Y / N
1	Head			N	
2					
3					
4					
5					

Table II

FY 2010 Income Limit Area	Median Income	FY 2010 Income Limit Category	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
Place an "X" in the box that applies to income			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Visalia-Porterville, CA MSA	\$48,200	Extremely Low (30%) Income Limits	\$11,850	\$13,550	\$15,250	16,900	\$18,300	\$19,650	\$21,000	\$22,350
		Very Low (50%) Income Limits	\$19,750	\$22,550	\$25,350	\$28,150	\$30,450	\$32,700	\$34,950	\$37,200
		Low (80%) Income Limits	\$31,550	\$36,050	\$40,550	\$45,050	\$48,700	\$52,300	\$55,900	\$59,500

Annual Income is not to exceed the amount listed above, per number of persons in the family (HUD Income) Income information as of May 21, 2010. Income information changes; verify income at: <http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/income/2009/ca.pdf>

Table III
The following information within this box is for statistical purposes only and is voluntary:

Race (Select one or more): White <input type="checkbox"/> Asian <input type="checkbox"/> American Indian or Alaskan Native <input type="checkbox"/> Black or African American <input type="checkbox"/> Native Hawaiian or Other Pacific Islander <input type="checkbox"/>	Ethnicity (Select only one): <input type="checkbox"/> Hispanic <input type="checkbox"/> Non-Hispanic
Gender: Male- <input type="checkbox"/> Female- <input type="checkbox"/> Female Head of Household: Yes <input type="checkbox"/> No <input type="checkbox"/>	Handicapped/Disabled: Yes <input type="checkbox"/> No <input type="checkbox"/>

The application information provided by the buyer(s) is true and correct. The buyer(s) is/are applying to obtain a second mortgage loan through the City of Visalia's Program.

BUYER SIGNATURE

DATE

BUYER SIGNATURE

DATE

Please confirm that a Pre-Funding Reservation Form has been completed to confirm available funding.

- CITY OF VISALIA PROJECT NUMBER _____
- FUNDS AVAILABLE & RESERVED BY CITY FOR ___ DAYS: YES ___ NO ___

Reviewed by City Staff

DATE

Authorized City Staff

DATE

Lender will send this request, along with the primary loan package to AmeriNational Community Services, Inc. Corporate office at:

8121 E. Florence Ave. Tel: (800)367-5506
Downey, CA. 90240 Fax: (562)927-2362
Contact person is: Danny ext. 208

Estimated Fees:

Processing	330.00	Loan Warehousing	80.00
Document Prep	155.00	Tax Service	65.00
Wire Transfer Fee	55.00	2nd Trust Deed	
		Title Policy	100.0



Sample Format for Calculating Part 5 Annual Income

1. Name		2. Identification No.:			
ASSETS					
Family Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets		
3. Net Cash Value of Assets		3.			
4. Total Actual Income from Assets				4.	
5. If line 3 is greater than \$5,000, multiply line by _____ (Passbook Rate) and enter results here; otherwise, leave blank				5.	
ANTICIPATED ANNUAL INCOME					
Family Members	a. Wages/ Salaries	b. Benefits/ Pensions	c. Public Assistance	d. Other Income	e. Asset Income
					Enter the greater of lines 4 or 5 from above in e.
6. Totals	a.	b.	c.	d.	e.
7. Enter total of items from 6a. through 6e. This is <i>Annual Income</i>					7.

X _____
Signature

For Office Use Only

_____ Income Limit
_____ Income Limit of Household

Attachment Two, Part Two “A”

Worksheet 1

Your current monthly expenses

Use this worksheet to calculate your current monthly expenses. By comparing your nonhousing expenses with your gross monthly income (in Worksheet 3), you can see how much you have left for housing-related expenses. Remember that when you are a homeowner, your housing expenses will include your monthly mortgage payment, property taxes and homeowner’s insurance, condominium fee (if applicable), utilities, and maintenance costs.

Average Monthly Payment

Rent	\$	
Utilities (if paid separately)	\$	
Current Nonhousing Expenses		
Food	\$	
Clothing	\$	
Daycare/tuition	\$	
Car loan	\$	
Car insurance	\$	
Gas and Oil	\$	
Car repairs	\$	
Health care		
Credit card payments	\$	
Installment loan payments	\$	
Student loan	\$	
Alimony/child support	\$	
Entertainment	\$	
Taxes	\$	
Telephone	\$	
Insurance (other than car)	\$	
Other (specify)	\$	
Other (specify)	\$	
Total Monthly Expenses	\$	

Attachment Two, Part Two "A"

Worksheet 2

Your available cash and assets

List here all your sources of cash and any assets you can use for the down payment and closing costs.

Checking account(s)	\$
Savings account(s)	\$
Mutual funds, stocks, and bonds	\$
Current Nonhousing Expenses	\$
Cash value of life insurance policy	\$
Cash gifts from parents or other relatives	\$
Other assets	\$
Total Cash and Assets	\$

Worksheet 3

Your gross monthly income

List all current, regular gross monthly income for yourself and any co-borrowers. Consider all sources of income during the past 12 months if they are likely to continue for at least three years.

Average Monthly Amount

Gross pay (before taxes and other deductions)	\$
Overtime/part-time/seasonal/commission income	\$
Bonuses/tips	
Dividends/interest earnings	\$
Business or investment earnings	\$
Pension/Social Security benefits	\$
Unemployment compensation	\$
Public assistance	\$
Alimony/child support/separate maintenance income	\$
Other	\$
Total Gross Monthly Income	

HOME Funds utilize 24 CFR 5.609 income guidelines. Income is calculated based on current gross (projecting 12 months)

Attachment Two, Part Two “A”

Worksheet 4
Your monthly debt payments

List all the monthly debt obligations of your household (other than your current housing expenses).

If your Total Monthly Debt Payments equal more than 8 percent -- or 10 percent if you have very good credit -- of your gross monthly income (which you calculated on Worksheet 3), then your “excess debt” will reduce the amount of mortgage for which you can qualify.

Refer to Chart 3 for additional detail.

	Average Monthly Amount
Car Payment	\$
Other installment loan payments with ten or more monthly payments remaining (furniture, appliance, etc.).	\$
Average monthly credit card payment	
Student loan payment	\$
Medical/health care payment	\$
Alimony/child support payment	\$
Total Monthly Debt Payments	\$

Attachment Two, Part Two “A”

HOME Program Eligibility Release Form

Organization requesting release of information (PJ name, address, telephone, and date)

Purpose: Your signature on this HOME Program Eligibility Release Form, and the signatures of each member of your household who is 18 years of age or older, authorizes the above-named organization to obtain information from a third party relative to your eligibility and continued participation in the:

HOME TBRA Program

HOME Homebuyer Program

HOME Rental Rehabilitation Program

HOME Homeowner Rehabilitation Program

Privacy Act Notice Statement: The Department of Housing and Urban Development (HUD) is requiring the collection of the information derived from this form to determine an applicant's eligibility in a HOME Program and the amount of assistance necessary using HOME funds. This information will be used to establish level of benefit on the HOME Program; to protect the Government's financial interest; and to verify the accuracy of the information furnished. It may be released to appropriate Federal, state, and local agencies when relevant to civil, criminal, or regulatory investigators, and to prosecutors. Failure to provide any information may result in a delay or rejection of your eligibility approval. The Department is authorized to ask for this information by the National Affordable Housing Act of 1990.

Instructions: Each adult member of the household must sign a HOME Program Eligibility Release Form prior to the receipt of benefit and on an annual basis to establish continued eligibility. Additional signatures must be obtained from new adult members whenever they join the household or whenever members of the household become 18 years of age.

NOTE: THIS GENERAL CONSENT MAY NOT BE USED TO REQUEST A COPY OF A TAX RETURN. IF A COPY OF A TAX RETURN IS NEEDED, IRS FORM 4506, "REQUEST FOR COPY OF TAX FORM" MUST BE PREPARED AND SIGNED SEPARATELY.

Information Covered: Inquiries may be made about items initialed by applicant/tenant.

	Verification Required	Initials
Income (all sources)		
Assets (all sources)		
Child Care Expense		
Handicap Assistance Expense (if applicable)		
Medical Expense (if applicable)		
Other (list) _____		
Dependent Deduction ____ Full-Time Student		
____ Handicap/Disabled Family Member		
____ Minor Children		

Authorization: I authorize the above-named HOME Participating Jurisdiction and HUD to obtain information about me and my household that is pertinent to eligibility for participation in the HOME Program.

I acknowledge that:

- (1) A photocopy of this form is as valid as the original.
- (2) I have the right to review the file and the information received using this form (with a person of my choosing to accompany me).
- (3) I have the right to copy information from this file and to request correction of information I believe inaccurate.
- (4) All adult household members will sign this form and cooperate with the owner in this process.

Head of Household—Signature, Printed Name, and Date: Family Member HEAD

Other Adult Member of the Household—Signature, Printed Name, and Date: Family Member #2

Other Adult Member of the Household—Signature, Printed Name, and Date: Family Member #3

Other Adult Member of the Household—Signature, Printed Name, and Date: Family Member #4

Attachment Two, Part Two "A"

VERIFICATION OF: Employment

<p>(Name of HOME Participating Jurisdiction) _____</p> <p>AUTHORIZATION: Federal Regulations require us to verify Employment Income of all members of the household applying for participation in the HOME Program which we operate and to re-examine this income periodically. We ask your cooperation in supplying this information. This information will be used only to determine the eligibility status and level of benefit of the household.</p> <p>Your prompt return of the requested information will be appreciated. A self-addressed return envelope is enclosed.</p>	<p>Employed since: _____ Occupation: _____</p> <p>Salary: _____</p> <p>Effective date of last increase: _____</p> <p>Base pay rate: \$_____/Hour; or \$_____/Week; or \$_____/Month</p> <p>Average hours/week at base pay rate: _____ Hours</p> <p>No. Weeks ____, or No. Weeks ____ worked per year</p> <p>Overtime pay rate: \$_____/Hour</p> <p>Expected weekly average number of hours overtime to be worked during next 12 months _____</p> <p>Any other compensation not included above (specify for commissions, bonuses, tips, etc.):</p> <p>For: _____ \$____ per _____</p> <p>Is pay received for vacation? ___ If yes, no. of days/yr. ___</p> <p>Total base pay earnings for past 12 mos. \$ _____</p> <p>Total overtime earnings for past 12 mos. \$ _____</p> <p>Probability and expected date of any pay increase: _____</p> <p>Does the employee have access to a retirement account? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If Yes, what amount can they get access to: \$ _____</p>
<p>RELEASE: I hereby authorize the release of the requested information.</p> <p>_____</p> <p>(Signature of Applicant)</p> <p>Date: _____</p> <p>or a copy of the executed "HOME Program Eligibility Release Form," which authorizes the release of the information requested, is attached.</p>	<p>Signature of _____ or Authorized Representative _____</p> <p>Title: _____</p> <p>Date: _____</p> <p>Telephone: _____</p>
<p>WARNING: Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.</p>	

Attachment Two, Part Two "A"

VERIFICATION OF: Pension and Annuities

<p>(Name of HOME Participating Jurisdiction) _____</p> <p>AUTHORIZATION: Federal Regulations require us to verify Pension and Annuities Income of all members of the household applying for participation in the HOME Program which we operate and to re-examine this income periodically. We ask your cooperation in supplying this information. This information will be used only to determine the eligibility status and level of benefit of the household.</p> <p>Your prompt return of the requested information will be appreciated. A self-addressed return envelope is enclosed.</p>	<p>Current monthly gross amount of pension or annuity \$ _____</p> <p>Deductions from gross for medical insurance premiums \$ _____</p> <p>Date of initial award _____</p> <p>Effective date of current amount _____</p> <p>Contributions to company retirement/pension fund \$ _____</p> <p>Amount received in a lump sum \$ _____</p>
<p>RELEASE: I hereby authorize the release of the requested information.</p> <p>_____</p> <p>(Signature of Applicant)</p> <p>Date: _____</p> <p>Or a copy of the executed "HOME Program Eligibility Release Form," which authorizes the release of the information requested, is attached.</p>	<p>Signature of _____ or Authorized Representative _____</p> <p>Title: _____</p> <p>Date: _____</p> <p>Telephone: _____</p>
<p>WARNING: Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.</p>	

Attachment Two, Part Two "A"

VERIFICATION OF: Veterans Administration Benefits

<p>(Name of HOME Participating Jurisdiction) _____</p> <p>AUTHORIZATION: Federal Regulations require us to verify Veterans Administration Benefits Income of all members of the household applying for participation in the HOME Program which we operate and to re-examine this income periodically. We ask your cooperation in supplying this information. This information will be used only to determine the eligibility status and level of benefit of the household.</p> <p>Your prompt return of the requested information will be appreciated. A self-addressed return envelope is enclosed.</p>	<p>Name of Veteran: _____</p> <p>Address: _____</p> <p>_____</p> <p>Claim No.: _____</p> <p>Date of Birth: _____</p> <p>Service Dates: _____ to _____</p> <p>Benefits Paid to: _____</p> <p>1. Current Benefit Amount \$ _____</p> <p>2. Original Start Date _____</p> <p>3. This amount will increase/ decrease to (circle one) \$ _____</p> <p> Date Change Takes Effect _____</p> <p>4. Benefits are for:</p> <p><input type="checkbox"/> GI Bill Training</p> <p><input type="checkbox"/> Insurance</p> <p><input type="checkbox"/> Service Connected Compensation Disability (%) _____</p> <p><input type="checkbox"/> Nonservice Pension Death</p> <p><input type="checkbox"/> Service Connected Compensation Death</p> <p><input type="checkbox"/> Other _____</p> <p>_____</p>
<p>RELEASE: I hereby authorize the release of the requested information.</p> <p>_____</p> <p>(Signature of Applicant)</p> <p>Date: _____</p> <p>Or a copy of the executed "HOME Program Eligibility Release Form," which authorizes the release of the information requested, is attached.</p>	<p>Signature of _____ or Authorized Representative _____</p> <p>Title: _____</p> <p>Date: _____</p> <p>Telephone: _____</p>
<p>WARNING: Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.</p>	

Attachment Two, Part Two "A"

VERIFICATION OF: Unemployment Benefits

<p>(Name of HOME Participating Jurisdiction)</p> <p>AUTHORIZATION: Federal Regulations require us to verify Unemployment Benefits Income of all members of the household applying for participation in the HOME Program which we operate and to re-examine this income periodically. We ask your cooperation in supplying this information. This information will be used only to determine the eligibility status and level of benefit of the household.</p> <p>Your prompt return of the requested information will be appreciated. A self-addressed return envelope is enclosed.</p>	<p>Benefits</p> <p>1. Are benefits being paid now? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>2. If yes, what is Gross Weekly Payment? \$ _____</p> <p>3. Date of Initial Payment _____</p> <p>4. Duration of Benefits _____ weeks</p> <p>Is claimant eligible for future benefits? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>5. If yes, how many weeks? _____ weeks</p> <p>6. If no, what is the termination date of benefits? _____</p>
<p>RELEASE: I hereby authorize the release of the requested information.</p> <p>_____</p> <p>(Signature of Applicant)</p> <p>Date: _____</p> <p>Or a copy of the executed "HOME Program Eligibility Release Form," which authorizes the release of the information requested, is attached.</p>	<p>Signature of _____ or Authorized Representative _____</p> <p>Title: _____</p> <p>Date: _____</p> <p>Telephone: _____</p>
<p>WARNING: Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.</p>	

Attachment Two, Part Two "A"

VERIFICATION OF: Income from Military Service

<p>(Name of HOME Participating Jurisdiction)</p> <p>AUTHORIZATION: Federal Regulations require us to verify Military Service Income of all members of the household applying for participation in the HOME Program which we operate and to re-examine this income periodically. We ask your cooperation in supplying this information. This information will be used only to determine the eligibility status and level of benefit of the household.</p> <p>Your prompt return of the requested information will be appreciated. A self-addressed return envelope is enclosed.</p>	<p>Years _____ and Months _____ of service for pay purposes.</p> <p>Income:</p> <p>Base and Longevity Pay \$ _____</p> <p>Proficiency Pay \$ _____</p> <p>Sea and Foreign Duty Pay \$ _____</p> <p>Hazardous Duty Pay \$ _____</p> <p>Subsistence Allowance \$ _____</p> <p>Quarters Allowance (include only amount contributed by the Government) \$ _____</p> <p>Number of dependents claimed _____</p> <p>Imminent Danger Pay \$ _____</p> <p>Other (explain):</p> <p>_____</p> <p>_____</p> <p>_____</p>
<p>RELEASE: I hereby authorize the release of the requested information.</p> <p>_____</p> <p>(Signature of Applicant)</p> <p>Date: _____</p> <p>Or a copy of the executed "HOME Program Eligibility Release Form," which authorizes the release of the information requested, is attached.</p>	<p>Signature of _____</p> <p>or Authorized Representative</p> <p>_____</p> <p>Title: _____</p> <p>Date: _____</p> <p>Telephone: _____</p>
<p>WARNING: Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.</p>	

Attachment Two, Part Two "A"

VERIFICATION OF: Assets on Deposit

(Name of HOME Participating Jurisdiction) AUTHORIZATION: Federal Regulations require us to verify Assets on Deposit of all members of the household applying for participation in the HOME Program which we operate and to re-examine this income periodically. We ask your cooperation in supplying this information. This information will be used only to determine the eligibility status and level of benefit of the household. Your prompt return of the requested information will be appreciated. A self-addressed return envelope is enclosed.	Checking Account No. _____ _____	Average Monthly Balance for Last 6 Months _____ _____	Current Interest rate _____ _____		
	Savings Account No. _____ _____	Current Balance _____ _____	Current Interest Rate _____ _____	Current Interest Rate _____ _____	
	Certificate of Deposit Account No. _____ _____	Amount _____ _____	Withdrawal Penalty _____ _____		
Retirement Savings (IRA, Keogh, 401(k))	Account No. _____ _____	Amount _____ _____	Withdrawal Penalty _____ _____	Current Interest Rate _____ _____	
Money Market Funds	Money Market Funds _____ _____	Amount (Average 6-month Balance) _____ _____	Interest Rate _____ _____		
RELEASE: I hereby authorize the release of the requested information. _____ (Signature of Applicant) Date: _____ Or a copy of the executed "HOME Program Eligibility Release Form," which authorizes the release of the information requested, is attached.	Signature of _____ or Authorized Representative _____ Title: _____ Date: _____ Telephone: _____				
WARNING: Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.					

Attachment Two, Part Two "A"

RECORD OF ORAL VERIFICATION

APPLICANT INFORMATION

Re: _____

Address: _____

Date Received: _____

INFORMATION VERIFIED

Item Verified: _____

Person Contacted: _____

Representing: _____

INFORMATION SUPPLIED

Signature of Person Receiving Verification

Date and Time

Attachment Three

STATE OF CALIFORNIA FAIR LENDING NOTICE
--

TO: ALL APPLICANTS FOR FINANCIAL ASSISTANCE FOR THE PURCHASE, CONSTRUCTION, REHABILITATION, IMPROVEMENT OR REFINANCING OF ONE OR MORE FAMILY RESIDENCES:

IT IS UNLAWFUL, UNDER THE HOUSING FINANCIAL DISCRIMINATION ACT OF 1977, FOR A PUBLIC AGENCY TO CONSIDER ANY OF THE FOLLOWING IN DETERMINING WHETHER OR NOT, OR UNDER WHAT TERMS AND CONDITIONS, TO PROVIDE OR ARRANGE FOR FINANCIAL ASSISTANCE:

1. NEIGHBORHOOD CHARACTERISTICS (SUCH AS THE AVERAGE AGE OF THE HOMES OR THE INCOME LEVEL IN THE NEIGHBORHOOD), EXCEPT TO A LIMITED EXTENT NECESSARY TO AVOID AN UNSAFE AND UNSOUND BUSINESS PRACTICE.
2. RACE, SEX, COLOR, RELIGION, MARITAL STATUS, NATIONAL ORIGIN OR ANCESTRY.

IT IS ALSO UNLAWFUL TO CONSIDER, IN APPRAISING A RESIDENCE, THE RACIAL, ETHNIC, OR RELIGIOUS COMPOSITION OF A PARTICULAR NEIGHBORHOOD, OR WHETHER OR NOT SUCH COMPOSITION IS UNDERGOING CHANGE, OR IS EXPECTED TO UNDERGO CHANGE.

IF YOU WISH TO FILE A COMPLAINT, OR IF YOU HAVE QUESTIONS ABOUT YOUR RIGHTS, CONTACT:

DEPT. OF FAIR EMPLOYMENT AND HOUSING
1900 MARIPOSA MALL, SUITE 130
FRESNO, CA 93721

PHONE: 1-800-884-1684 (TOLL FREE FROM VISALIA) or 445-5373

IF YOU FILE A COMPLAINT, THE LAW REQUIRES THAT YOU RECEIVE A DECISION WITHIN THIRTY (30) DAYS.

I (WE) RECEIVED A COPY OF THIS NOTICE:

APPLICANT	DATE
APPLICANT	DATE
APPLICANT	DATE
APPLICANT	DATE

THIS NOTICE MUST BE PRINTED IN NOT LESS THAN 10-POINT BOLDFACE TYPE

NOTICIA DE IGUALDAD EN PRESTAMOS DEL ESTADO DE CALIFORNIA

ATTENCION: TODOS LOS QUE SOLICITAN AYUDA PARA LA COMPRA, CONSTRUCCION, REHABILITACION, MEJORAMIENTO O REFINANZAS DE UNA O MAS RESIDENCIAS FAMILIARES.

ES ILEGAL, BAJO EL ACTO DE DESCRIMINACION FINANCIERA DE REISDENCIAS DE 1977, QUE UNA AGENCIA PUBLICA CONSIDERE CUALQUIERA DE LO SIGUIENTE PARA DETERMINAR LA ELEGIBILIDAD, O LOS TERMINOS Y CONDICIONES, PARA PROVEER O PREPARAR AYUDA FINANCIERA:

1. CARACTERISTICAS DEL BARRIO (COMO LA EDAD PROMEDIA DE LAS CASAS O EL NIVEL DEL INGRESO EN EL BARRIO), EXCEPTO HASTA CIERTO PUNTO PARA EVITAR NEGOCIOS POCO FIRMES.
2. RAZA, SEXO, COLOR, RELIGION, ESTADO CIVIL, ORIGEN NACIONAL, O ASCENDENCIA.

TAMBIEN ES ILEGAL CONSIDERAR, CUANDO APRECIANDO UNA RESIDENCIA, LA COMPOSICION RACIAL, ETNICA O RELIGIOSA DE UN BARRIO EN PARTICULAR O SI ESA COMPOSICION ESTA CAMBIANDO O NO, O SI SE ESPERA CAMBIO.

SI UD. QUIERE REGISTRAR UNA QUEJA, O SI TIENE PREGUNTAS SOBRE SUS DERECHOS, POR FAVOR PONGASE EN CONTACTO CON:

DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING
(DEPARTAMENTO DE IGUALDAD EN EMPLEO Y VIVIENDA)
1900 MARIPOSA MALL, SUITE 130
FRESNO, CA 93721

TELEFONO: 1-800-884-1684(SIN COBRO DE VISALIA) 1-445-5373

SI UD. REGISTRA UNA QUEJA, LA LEY REQUIERE QUE UD. RECIBA UNA DECISION DENTRO DE TREINTA (30) DIAS.

YO HE RECIBIDO UNA COPIA DE ESTA NOTICIA:

SOLICITANTE FECHA

SOLICITANTE FECHA

SOLICITANTE FECHA

SOLICITANTE FECHA

ESTA NOTICIA TIENE QUE SER IMPRESA EN LETRAS DE AL MENOS 10 PUNTOS TIPO SOBRESALIENTE

Attachment Four BUYERS RECEIPT

I, _____ have read and understand the program guidelines and the Policies and Procedures Manual, for the City of Visalia New Construction Deferred 2nd Mortgage Loan Program. I certify that I have been given a copy of the following by my primary lender:

- City of Visalia guidelines
- Policies & Procedures
- Sample Owners Participation Agreement (affordability covenant)

I have read and understand the Deed of Trust, Owners Participation Agreement, Note and Truth in Lending Statement for the participation in the City of Visalia's Program.

Name of Lender

Signature of Buyer

Date

Signature of Buyer

Date

Attachment Five, Part one

**Disclosure to Seller with Voluntary, Arm's Length Purchase Offer
City of Visalia First Time Homebuyers Program
DECLARATION**

This is to inform you that (name of buyers)_____ would like to purchase the property, located at (address)_____, if a satisfactory agreement can be reached. The City will not be conducting its own appraisal of the subject property.

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

1. The sale is voluntary. If you do not wish to sell, the buyer, _____, thru the City of Visalia will not acquire your property. The buyer does not have the power of eminent domain to acquire your property by condemnation (i.e. eminent domain) and the City of Visalia will not use the power of eminent domain to acquire the property.
2. The estimated fair market value of the property is \$_____ and was estimated by _____, to be finally determined by a professional appraiser prior to close of escrow.

Since the purchase would be a voluntary, arms length, transaction you would not be eligible for relocation payments or other relocation assistance under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA), or any other law or regulation.

Again, please understand that if you do not wish to sell your property, The City will take no further action to acquire it.

Buyer

Date

Buyer

Date

Form continues on next page with Seller's Acknowledgment

Attachment Five, part two

**Disclosure to Seller with Voluntary, Arm's Length Purchase Offer (Page 2)
City of Visalia First Time Homebuyers Program**

Acknowledgement

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

As the Seller, I/we understand that under the City of Visalia's program, the property must be currently owner-occupied, vacant for four months at the time of submission of purchase offer, new (never occupied), or renter purchasing the unit. I/we hereby certify that the property is:

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

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

Seller

Date

Seller

Date

Attachment Six

City of Visalia & CSET
Housing Counseling
Certificate of Achievement

Awarded to

Name(s) of borrower participants

For the successful completion of Homebuyer Education Program workshop.

I/We listed above, have reviewed the City of Visalia New Construction Deferred 2nd Mortgage Program guidelines, Policies and Procedures. I/We have also read and understand the Affordability Covenant that will be recorded along with the first and second trust deeds for property located at:

Property Address/ Subdivision

Date _____ **Course Administrator.** This acknowledges that I have read, reviewed and assisted the borrower in understanding the requirements for the use of the City of Visalia’s funding.

Date _____ **Lender Representative.** This acknowledges that I have read, reviewed and assisted the borrower in understanding the requirements for the use of the City of Visalia’s funding.

Signature(s) below acknowledgement by borrower(s)

Date Signature of Borrower

Date: Signature of Co-Borrower

Attachment Seven

Sample Building Inspection Card

City of ...
 Building Safety Division

Executive ...

No. 0445 P. 1
 PERMIT NO: ...
 Issued Date: ...

Address:
 Owner:
 Contractor:
 Phone:

DESCRIPTION OF WORK: FIRST TIME HOME BUYERS PROGRAM

INSPECTION REQUEST LINE: 713-4452 -- CALL THE DAY BEFORE YOU NEED YOUR INSPECTION

Calls after midnight will be scheduled for the next business day. The new system will require using a touch-tone phone. Mobile phones are acceptable.

To request your inspection key in the: **PERMIT NO., --- INSPECTION ITEM NO., --- AM OR PM**

Please write down your confirmation number.

INSPECTIONS	DATE	INSPECTOR	INSPECTIONS	DATE	INSPECTOR	INSPECTIONS	DATE	INSPECTOR
Site/Location	1		Flood Zone Certificate	19		Driveway Approach	43	
Sewer	2		Well Insulation	25		Sidewalk	42	
Undrgrnd/Fir Plmb.	3		Ceiling Insulation	27		Tilt-Up Panels	62	
Undrgrnd/Fir Mech.	4		Sheetrock	30		Masonry Footings	64	
Undrgrnd/Fir Elect.	5		Sheetrock Fire Wall	28		Grout Lift	46	
Foundation	6		Sheetrock Shear Wall	29		Fireplaces	15	
Slab	7		Gas Test	16		Trash Enclosure	45	
Piers/Columns	8		Showers Pan/Lath	32		Brick Veneer Ties	98	
Floor Joist/Order	9		Mech. Pressure Test	89		Sewer Capping	52	
Undr/Fir Insulation	11		Roof Drains	48		Septic Tank	63	
Floor Sheathing	10		T-Bar Elec. & Mech.	55		INTRCPTN/Grease Trap	47	
Holddowns	12		Draft Stop	31		Pre-Well Demolition	84	
Shear Wall	13		Shaft	64		Well Casing Demo	55	
Roof Sheathing	40		Fire Caulk	65		Well Concrete Cap	58	
Pre-Ra Roof	39		Fire Damper Install	66		Med Gas Materials	113	
Metal Connectors	61		Fire Alarm Install	67		Med Gas Initial Test	114	
Braed Wall Panels	78		Temporary Electrical	33		Med Gas Vacuum	118	
Complete Frame	17		Temporary Gas	34		Med Gas 24 Hr Test	116	
Rough Plumbing	18		Pool Steel/ponding	36		Med Gas Final	117	
Top Out Plumbing	20		Pool Piping	30				
Rough Mechanical	21		Undrgrnd Gas Piping	60				
Rough Electrical	22		Pool Pre-Plaster	38				
Rough Frame	23		Pool Barrier	37				
Exterior Lath	24		Pool Alarm	61				
Exterior Siding	25							

Obtain a separate permit for concrete work in the public right-of-way.

Ordinance No. 2570
 The installation of curbs and gutters, or gutters, sidewalks, & driveway aprons as a condition of this permit, must be complete prior to final inspection.

INSPECTIONS	DATE	INSPECTOR
Undrgrnd Sprinklr Pipe/Test	70	
Undrgrnd Sprinklr Flush	69	
Overhead Sprinklr Test	49	
Sprinkler Final Ringdown	75	
Undrgrnd Hydrant Pipe/Test	92	
Undrgrnd Hydrant Flush	93	
Fire Damper Test	94	
Fire Alarm Test	71	
Smoke Detectors	41	
Hood Suppression Syst.	78	
Knox Box	96	
Electrical Seal Offs	120	
Fire Insp. Miscellaneous	77	

ENGINEERING T.C.O.	91	
PLANNING T.C.O.	63	
TEMP OCCPY ONLY	61	
FINAL-appearance to code	109	
ELECTRICAL	103	
PLUMBING	104	
MECHANICAL	108	
LANDSCAPING-PLNG	110	
CODE COMPLIANCE	111	
REDEVELOPMENT	100	
PLANNING	107	
ENGINEERING	101	
FIRE	102	
BUILDING	101	
CERT OF OCCUPADY	107	

RESIDENTIAL PROJECTS

This inspection card becomes your Certificate of Occupancy when the FINAL inspection is approved. Keep this card with your important papers as proof of permit and final.

PHONE NUMBERS

BUILDING INSPECTION REQUESTS: 713-4452
 CANCELLATIONS: 713-4448
 INSPECTORS—8:30 a.m. to 5:00 p.m.: 713-4333

KEEP THIS CARD FOR YOUR REFERENCE

08/14/2006

Attachment Eight

Subordination requests:

It is the intent of the Agency to provide continued affordability of units that have been rehabilitated with funds provided through the Community Development Block Grant Program (CDBG), Home Investment Partnerships (HOME), and Redevelopment Low and Moderate Income Housing funds. To ensure the continued affordability of owner-occupied and rental units in the City of Visalia, the Agency has set forth the following policy for the subordination of the Agency's position as a second (or third) trust deed holder.

- ❑ **The Agency will only consider subordination if the owner is refinancing the first trust deed to lower the interest rate or, if a balloon payment is due.**
- ❑ **The borrower must refinance only the amount of the liens superior to the Agency's position. The borrower cannot receive a cash payment from the proceeds of the escrow. A copy of the escrow estimated closing statement must be provided to the Agency for review.**
- ❑ **The Agency will review the terms and conditions of the new trust deed. If the terms of the new trust deed require a balloon payment, the Agency retains the right to deny the subordination request.**
- ❑ **The Agency will only consider subordination when the total debt to equity ratio does not exceed .95 of the appraised property value. The borrower will be required to supply the Agency with a current preliminary title report, property appraisal, and credit report at the owner's expense. The Agency reserves the right to perform a separate appraisal at their own expense and use the amount of such an appraisal in determining eligibility for subordination.**
- ❑ **Agency loans having a zero percent (0.0%) interest rate, or a deferred payment date may be converted to interest bearing and/or amortized loans according to the current income qualifications and program guidelines of the Agency. An income recertification will be performed on any borrower requesting subordination of such a loan to determine on-going income eligibility for loan deferral and/or reduced interest rates.**

The Agency will evaluate and approve or deny the subordination within 21 days of receipt of a completed subordination request package. The following is a list of the documents required by the Agency for consideration of a subordination request:

- ❑ **Estimated Closing Statement**
- ❑ Copy of new (proposed) Trust Deed
- ❑ Current Preliminary Title Report
- ❑ Current Property Appraisal
- ❑ Current Credit Report
- ❑ Original subordination agreement

Additionally, please submit a borrowers signed authorization form and documents specifying the previous balance, interest rate and payment and the new balance, interest rate and new payment.

Upon approval of a request for subordination, the borrower will provide the Agency with the necessary documents for execution at their own expense.

Send original documents to: City of Visalia, Housing and Economic Development Department, Attn: Nancy Renovato, 315 East Acequia, Visalia, CA 93291

Last Revision to First Time Homebuyers Guidelines: March 30, 2010

Attachment Nine
Underwriting guidelines
Attached to the City of Visalia's Policy and Procedure Manual

Attachment Ten

Checklist

**AMERINATIONAL COMMUNITY SERVICES
LOAN PROCESSING / UNDERWRITING DEPARTMENT
City of Visalia- New Construction Deferred 2nd Mortgage Loan
FILE CHECKLIST/ Lending Package Requirements**

AGENCY: CITY OF VISALIA -

APPLICANTS: _____

PROPERTY: _____

Documents to be sent via – federal express/overnight to:

D. Martinez
AmeriNational Community Services, Inc.
8121 E. Florence Ave.
Downey, Ca 90240

The following items must be in the file:

City Documents:

_____ Newly Constructed Home City Deferred 2nd Mortgage Loan Form (Attachment One, Part One)

_____ Newly Constructed Home City Deferred 2nd Mortgage Program Certification & Request Form (Attachment One, Part Two)

_____ City of Visalia Program Application (Attachment Two, Part One)

_____ Worksheets 1, 2, 3, & 4(Attachment Two, Part Two)

_____ City of Visalia & CSET Housing Counseling Certificate of Achievement (Attachment Six) CSET provide educational workshops/certification to borrowers

_____ Fair Lending Notice (Attachment Three)

_____ Buyers Receipt (Attachment Four)

_____ Disclosures to seller– Arm’s Length Purchase (Attachment Five, Part One & Two)

_____ Final Building Inspection Card (copy)

_____ Flood Hazard Form (if applicable)

Lending Documents:

_____ Verification/Proof of 203B- FHA Mortgage Maximum (95% of the maximum)

_____ Uniform Residential Loan application, completed and signed

_____ Good Faith Estimate _____ Federal Truth In Lending Statement

_____ MCAW OR Uniform Underwriting and Transmittal Summary Form, if applicable

_____ Lender’s U/W and Approval Memo (**including rate lock information**)

_____ Lender's U/W and Approval Memo **(including rate lock information)**

_____ Residential Mortgage Credit Report

_____ Explanation of derogatory credit (if applicable)

_____ All appropriate verifications including but not limited to:

_____ VOD'S _____ Bank Statements _____ Budget Letter (in no bk accts)

_____ VOE's _____ Paystubs _____ W-2 Forms (2 yrs)

_____ Gift Letter where Applicable _____ Explanation Letters

_____ Two (2) years signed and complete Tax Returns

_____ Purchase Contract Signed by Buyer _____ Seller _____

_____ Certified Copy of Escrow Instructions signed by seller/ buyer

1. _____ Copy of proof of fire, flood insurance; NOTE: The participant(s) must obtain fire and flood insurance coverage on the property from the date of closing. The City must be listed as lienholder on the policy and the policy must be sufficient to protect the City's full interest in the property.

_____ Preliminary Title Report _____ Wiring Instructions

_____ Appraisal

_____ Statement of Household Compositions to include, Name, Age and Relationship for everyone who will occupy the household

Attachment Eleven

1st mortgage lender a letter with instructions.

To be inserted

Attachment Twelve
OWNERS PARTICIPATION AGREEMENT

RECORDING
REQUESTED BY:

**The City of Visalia
Housing & Economic
Development**

AND WHEN
RECORDED MAIL TO:
**The City of Visalia
Housing & Economic Dev
315 E. Acequia Ave.
Visalia, CA 93291**

THIS AGREEMENT IS RECORDED AT THE REQUEST AND FOR THE BENEFIT OF THE CITY OF VISALIA AND IS EXEMPT FROM THE PAYMENT OF A RECORDING FEE PURSUANT TO GOVERNMENT CODE SECTION 6103.

THE CITY OF VISALIA

NEW CONSTRUCTION DEFERRED 2ND MORTGAGE PROGRAM

OWNER PARTICIPATION AGREEMENT

This Agreement ("Agreement") entered into on this ___ day of _____, 2010, by and between the **City of Visalia**, a municipal corporation hereinafter referred to as "City, and _____ hereinafter referred to as "Eligible Buyer" for the purchase of a newly constructed single family dwelling located at _____ in Visalia, California, more particularly described in **Exhibit "A"** attached hereto and incorporated herein referred to as "Residence".

1. This Agreement is entered into pursuant to a program administered by the City of Visalia Housing and Economic Development Division. The City receives funds through a HOME Investment Partnership Fund Program Grant, authorized under Title II of the Cranston-Gonzalez National Affordable Housing act, as amended, under the U.S. Department of Housing and Urban Development. This funding source is administered by the City of Visalia for acquisition and financial assistance to lower income households to purchase a newly constructed single family residential dwelling within the City of Visalia city limits.
2. The purpose of this Agreement is to provide financial assistance for the purchase of a newly constructed house for lower income households. Lower income is defined by the U.S.

Department of Housing and Urban Development as 80% or less of median income for the Visalia-Porterville-Tulare Metropolitan Statistical Area. The City will provide to Eligible Buyer a loan needed to purchase a house in the amount that is specified in the Note. The amount of the loan shall be the minimum amount necessary to enable the Eligible Buyer to purchase the home AFTER Eligible Buyer secures the maximum first mortgage loan amount for which the Eligible Buyer qualifies from the primary lender. The loan shall be in the form of a second trust deed secured by a Note and Deed of Trust. Payments on the loan may be deferred, at the election of the Eligible Buyer, for up to one hundred and eighty (180) months, followed by monthly payments of principle and interest for fifteen (15) years. Interest will accrue at two percent (2%) during the deferral and repayment periods. The payment will be applied first to the servicing fee indicated in the borrower's Truth In Lending, then to accrued interest, and finally to principal.

3. The Eligible Buyer has been provided a loan in the amount of \$ _____ (\$ _____) as evidenced by a Deed of Trust with Assignment of Rents, Note and Truth In Lending.
4. HUD requires as a condition precedent to the awarding of HOME Funds that the Eligible Buyer execute, deliver and record this Agreement on the official land records of the County of Tulare, in order to create certain covenants running with the land for the purpose of enforcing the requirements of Subpart F of 24 CFR 92 and the Use Restrictions found below, and the Authority, by regulating and restriction the use, occupancy, and transfer of the assisted property as set forth herein; and

NOW, THEREFORE, THE CITY AND THE BUYER AGREE AS FOLLOWS:

1. The Residence will be selected by Eligible Buyer, but shall be a residential dwelling unit which shall not exceed the maximum set value purchase price of a qualified home to a function of 95% of the FHA Single family Mortgage Limit 203 (b) at the time of the submission of the City's application and as determined by HUD located within the Visalia-Porterville (MSA), County Code 107 as published periodically by the United States Department of Housing and Urban Development and within the Visalia City Limits.
2. The purchase shall be subject to Eligible Buyer qualifying for a fixed rate first trust deed through FHA, CalHFA, or Conventional Freddie Mac underwriting criteria. Subsequent to the Eligible Buyer qualifying under this underwriting criteria, it shall be Eligible Buyer's responsibility to ensure that all appropriate documentation related to said qualification is received by City to process the loan, including title insurance, a title report, credit report, appraisal, income and employment verifications, etc. Eligible Buyer will select and cooperate with a Developer, Real Estate Agent, title/escrow company and lender. The Residence shall be newly constructed, decent, safe, and sanitary housing in adherence to all applicable building codes, City Ordinances, and Agency Housing Quality Standards, and Eligible Buyer agrees to arrange for and have a building inspection by a City of Visalia Building Inspector to verify that these conditions exist. Verification of final building

inspection and correction of any deficiencies, if applicable, must be provided to City prior to close of escrow.

3. Notwithstanding any other provision hereof, the provisions of the Deed of Trust shall be subordinate to the lien of a first deed of trust or any deed of trust held, (i.e., recorded senior to any other deeds of trust) against this property, and shall not impair the rights of any institutional lender which is the maker of a loan secured by such first deed of trust or any deed of trust, or such lender's assignee or successor in interest, to exercise its remedies under the deed of trust in the event of default by the Borrower. These remedies include the right to foreclosure or exercise a power of sale or to accept a deed or assignment in lieu of foreclosure. After such foreclosure, sale or acceptance of a deed in lieu of foreclosure, the Deed of Trust shall be forever terminated and shall have no further effect as to this property or any transferee thereafter; provided, however if the holder of such a deed of trust acquired title to this property pursuant to a deed or assignment in lieu of foreclosure, this Deed of Trust shall automatically terminate upon such acquisition of title, provided that (i) the City has been given written notice of a default under such first deed of trust (which requirement shall be satisfied by recordation of a notice of default under California Civil Code Section 2924, if applicable), and (ii) the City shall not have cured the default under such first deed of trust within 30 days after such notice is sent to the City. All restrictions relating to affordable housing programs that are otherwise allowed by HUD policy will automatically and permanently terminate upon foreclosure, deed-in-lieu of foreclosure, or assignment of the insured mortgage to HUD.
4. City will render technical assistance for completion of the loan process. Eligible Buyer agrees to attend a Certified Homebuyers Workshop in order to meet City's requirement for home counseling under the terms of the FHA, CalHFA, or Government sponsored loan.
5. Eligible Buyer hereby certifies that he/she has not owned a residential dwelling unit during the past three years, or otherwise qualifies as a homebuyer under other HUD definitions.
6. Payment for City's loan will be made into escrow at the time the original loan funds. Eligible Buyer agrees to cooperate in completing the loan process for the first trust deed and City's second trust deed. Eligible Buyer agrees to deposit into escrow an amount equal to three percent (3%) of the sales price of the Residence, plus prorated taxes and insurance. Eligible Buyer hereby certifies that he/she is not qualifying as a co-borrower or co-owner.
7. Eligible Buyer is acquiring a newly constructed home that has been constructed by a developer that is participating in the City's program and has committed to contributing toward the borrower's acquisition. The specific contribution has been or shall be reflected within escrow prior to the closing.
8. Eligible Buyer and City agree to have in writing all revisions to the purchase price, location, change in lender or Title Company, etc. during the course of loan approval. The loan shall

become due and payable at the time of the sale or transfer of Residence or when the acceleration clause is triggered. It is expressly understood between Eligible Buyer and City that misrepresentation of the qualifications and eligibility of Eligible Buyer, failure of the Eligible Buyer to comply with the requirements of the Visalia New Construction Deferred 2nd Mortgage Loan Program, sale or transfer of the Residence, or renting of the Residence will cause the loan to be accelerated if any of the above occur prior to repayment of the loan provided to the Eligible Buyer pursuant to this Agreement, unless such sale or transfer is made to any person or family that is a low or moderate income person or family, defined as a person or family whose income is 80% or less of the median income for the Visalia-Tulare-Porterville MSA, as published periodically by the United States Department of Housing and Urban Development. The City loan is not assumable and refinancing the Residence will accelerate the loan. The City Manager will serve as the appeal board for disputes arising out of this Agreement. The City shall reserve the right to forgive any or all of the interest and principal due on the second in the event of hardship at the time of sale, including insufficient equity in the Residence to cover the City's second trust deed. The Housing Division of the City of Visalia shall review all such requests for waiver of any said amounts.

9. Eligible Buyer agrees to maintain the Residence in accordance with Housing Quality Standards and the Uniform Housing Code, and agrees not to accumulate debris, inoperable or abandoned vehicles on site, or have any other unsightly or dangerous conditions on site. Furthermore, Eligible Buyer will not allow overcrowded conditions as defined by the Tulare County Housing Authority to exist at the Residence.
10. Eligible Buyer agrees to abide by the terms and conditions of the City of Visalia New Construction Deferred 2nd Mortgage Loan Program in order to participate in the program, including maintaining the Residence as the principal place of owner-occupied residence.

Owner:

Owner:

Owner:

City of Visalia

ALL SIGNATURES MUST BE NOTARIZED

Attachment Thirteen

Deed of Trust and Assignment of Rents

Attachment Fourteen

Note

Attachment Fifteen

Truth In Lending