



City of Arcata

**CalHome
First Time Homebuyer
Mortgage Assistance
For Mobilehomes
Adopted 7/17/2024**



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1. GENERAL

1.1. PROGRAM OVERVIEW

- A. The City of Arcata (“City”) has entered or plans to enter into a contractual relationship with the California Department of Housing and Community Development (“HCD”) to administer a CalHome-funded homebuyer assistance program (“Program”). The Program is designed to provide assistance to eligible homebuyers in purchasing mobilehomes (also referred to as “housing units” herein) located within the boundaries of the City.
- B. The Program provides gap financing in the form of deferred payment, second-priority loans to be used toward the purchase price and closing costs of affordable housing units that will be occupied by the homebuyers as their primary residence. The Program will be administered by the City of Arcata.

1.2. PROGRAM OUTREACH AND MARKETING

- A. All outreach efforts will be done in accordance with state and federal fair lending regulations to assure nondiscriminatory treatment, outreach, and access to the Program. The City will ensure that all persons, including those qualified individuals with disabilities, have access to the Program.
- B. Fair Housing Lender and Accessibility logos will be placed on all outreach materials produced by the City. Flyers or other outreach materials will be distributed in the Program-eligible area and will be provided to any local social service agencies. The Program will include homebuyer orientation classes to help educate homebuyers about the home-buying process and future responsibilities.
- C. The City will track the demographic characteristics of a) all persons submitting applications and b) all persons receiving assistance. The City will regularly conduct a characteristic analysis comparison of the Program’s eligible area compared to the demographic characteristics of the population served by the Program and provide an explanation of any underserved segments of the population. U.S. Census or American Community Survey data will be used to obtain demographic data for comparison purposes. This information is used to show that protected classes (age, gender, ethnicity, race, and disability) are not being excluded from the Program. Fair housing marketing efforts will be adjusted based on the comparison analysis to ensure protected classes are reasonably represented in the Program.
- D. The City will work with local real estate agents and primary lenders to explain the Program requirements for eligible housing units and homebuyers, and to review Program processes. Local real estate agents and primary lenders will also be encouraged to have their clients participate in the Program.
- E. Section 504 of the Rehabilitation Act of 1973 prohibits the exclusion of an otherwise qualified individual, solely by reason of disability, from participation under any program receiving Federal

funds. The City will take appropriate steps to ensure effective communication with disabled housing applicants, residents, and members of the public.

1.3. NON-DISCRIMINATION REQUIREMENTS

The Program will be implemented consistent with the City's commitment to non-discrimination. No person shall be excluded from participation in, denied the benefit of, or be subject to discrimination under any program or activity on the basis of their religion or religious affiliation, age, race, color, creed, gender, gender identity, gender expression, sexual orientation, marital status, familial status (children), physical or mental disability, medical condition, genetic information, national origin, citizenship, primary language, immigration status (except where prohibited by federal law), ancestry, source of income, or other arbitrary cause.

The City shall comply with all applicable state and federal laws, rules, guidelines, and regulations that pertain to nondiscrimination and fair housing. Such laws include, without limitation, the requirements of Title VI of the Civil Rights Act of 1964 (42 U.S.C. § 2000d et seq.); the Americans with Disabilities Act of 1990; the Fair Housing Act; the Fair Housing Amendments Act of 1988; the California Fair Employment and Housing Act; the Unruh Civil Rights Act; Government Code section 11135; Section 504 of the Rehabilitation Act of 1973; and all regulations promulgated pursuant to those statutes.

1.4. CONFLICT OF INTEREST

Although no federal funds are used, Conflict of Interest requirements under Section 92.356 of the HOME Final Rule shall be followed:

- A. Conflicts prohibited. No person described in paragraph (b) of this section who exercises or has exercised any functions or responsibilities with respect to activities assisted with Program funds or who are 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 an assisted activity, or have a financial interest in any contract, subcontract or agreement with respect to the assisted activity, or the proceeds from such activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter. Immediate family ties include (whether by blood, marriage or adoption) the spouse, parent (including stepparent), child (including stepchild), brother, sister (including a stepbrother or stepsister), grandparent, grandchild and in-laws of a covered person.
- B. Persons covered. The conflict of interest provisions of paragraph (a) of this section apply to any person who is an employee, agent, consultant, officer, or elected official or appointed official of the participating jurisdiction, State recipient, or subrecipient which are receiving HOME funds.

The City of Arcata Loan Advisory Committee may grant an exception to the provisions of paragraph (a) of this section on a case-by-case basis when it determines that the exception will serve to further the purposes of the program.

2. PROGRAM PROCESS

2.1. PRE-APPLICATION AND APPLICATION PROCESS

- A. The City maintains a waiting list of applicants. Each applicant seeking to be added to the waiting list shall complete a pre-application form, which asks for sufficient information concerning income, employment, assets, and credit history to establish preliminary eligibility for Program participation. The City will accept pre-applications on a first-come, first-served basis. Pre-applications will be deemed complete only if all information is complete and submitted in the format requested, with the bottom signed and dated.
- B. The City may stop accepting new applications at such a time when the number of persons qualified to receive assistance exceeds the number that can reasonably be expected to secure funding through the Program.
- C. Applicants on the waiting list will be helped on a first come first served basis. Once an applicant has secured a primary loan for a qualified housing unit, the City will verify the applicant's eligibility. Once eligibility is confirmed, the applicant will proceed to the home purchase process.
- D. If the City encounters material discrepancies and/or misrepresentations, and/or there are income, asset, household composition, or other important questions that cannot be resolved to the satisfaction of the City, the City reserves the right to deny assistance to the household. In this case, the applicant may re-apply after six months have elapsed from the time of written assistance denial.

2.2. HOME PURCHASE PROCESS

- A. The applicant selects an eligible housing unit (see Section 4) on which to make a purchase offer. As a part of making an offer, the applicant shall include the following provisions in the Purchase and Sale Agreement or as separate disclosures:
 1. Homebuyer has no power of eminent domain and therefore will not acquire the property if negotiations fail to result in an amicable agreement.
 2. The homebuyer's estimate of the fair market value of the housing unit must be finally determined by a State-licensed appraiser.
 3. The housing unit will be subject to inspection by the City and/or a qualified home inspector hired by the applicant. The housing unit must comply with California state law and current codes at the time of construction and local health and safety standards.
 4. All housing units built prior to January 1, 1978, will require a lead paint disclosure to be signed by both the seller and potential homeowner.

5. The housing unit must be either currently owner-occupied, newly constructed, or vacant for three months prior to acceptance of a purchase offer. Since the sale would be voluntary, the seller would not be eligible for relocation payments or other relocation assistance.
6. The Purchase and Sale Agreement is contingent on the household and housing unit meeting Program eligibility requirements and receiving Program loan approval.
7. A Notice to Sellers of Existing Homes.

B. The applicant will submit an executed Purchase and Sale Agreement (California Association of Realtors standard form) and any required disclosures to the City.

C. The applicant, applicant's lender, on the applicant's behalf, or the City provide the following documents:

- Notice of Eligibility and signed Income Certification
- Primary Lender Commitment
- Purchase and Sale Agreement and any amendments/addendums (if not previously provided)
- Program disclosure statements
- City loan application – must be signed and dated
- Loan transmittal summary (FNMA 1008) or underwriting equivalent
- Good Faith Estimate
- Fair Lending Notice
- Lead Based Paint Disclosures and Certifications
- Environmental Review
- Other loan disclosures: Acquisition Notice to Seller and Arms-Length Disclosure
- Current income and asset verifications
- Homebuyer education certificate
- Loan approval – standards conditions acceptable
- Flood Insurance Rate Map status
- Loan rate lock (if applicable)
- Appraisal (must contain photos)
- Home inspection report, including Lead Based Paint, if applicable
- Pest report
- Preliminary title report
- Credit report

- Rental verification (if requested)
- Estimated settlement statement
- Proof of funds for applicant contribution
- Escrow Instructions to Title

After an initial review of the documents, the City will request any additional documents needed. Documents may be scanned and emailed, but any required originals shall be received through the mail before Program funds are committed to escrow.

The City verifies applicant eligibility, housing unit and loan eligibility, and amount of assistance to be provided consistent with these guidelines. Any significant discrepancies between these documents and/or the information the applicant submitted originally for application purposes will be required to be resolved to the satisfaction of the City.

- D. Based on the difference between the applicant's primary loan plus downpayment and the purchase price of the home, the City calculates the maximum loan amount and prepares a report summarizing the proposed transaction.
- E. The City submits this report and a recommendation to the City's Loan Advisory Committee for approval or denial, including the reasons for the recommendation and any conditions associated with a recommended approval. Once the Loan Advisory Committee determines the applicant's approval or denial, the City provides written notification to the applicant of approval or denial with reason and, if denied, information on appeal procedures.
- F. When primary lender requirements and any City conditions of approval are met, the City provides required closing instructions and loan documents to the title company responsible for the transaction. Loan documents must be fully executed by both the borrower and the City (when applicable) prior to Program funds being deposited into escrow.

3. APPLICANT QUALIFICATION

3.1. INCOME REQUIREMENTS

All applicants must certify that they meet the household income eligibility requirements for the Program and have their household income documented. The income limits in place at the time of loan approval will apply when determining applicant income eligibility. All applicants must have incomes at or below 80% of the adjusted median income for Humboldt County as published by HCD, and available at: <https://www.hcd.ca.gov/grants-and-funding/income-limits> (Official State Income Limits).

See Section 3.7 for more information on the income qualification process.

3.2. ELIGIBILITY REQUIREMENTS

Eligible applicants must be first-time homebuyers under the provisions of the CalHome Final Guidelines (2022):

A borrower(s) who has not owned a home during the three-year period before the purchase of a home with Program assistance, except that the following individual or individuals may not be excluded from consideration as a First-Time Homebuyer under this definition:

- A. A displaced homemaker who, while a homemaker, owned a home with his or her spouse or resided in a home owned by the spouse. A displaced homemaker is an adult who has not, within the preceding two years, worked on a full-time basis as a member of the labor force for a consecutive twelve-month period and who has been unemployed or underemployed, experienced difficulty in obtaining or upgrading employment and worked primarily without remuneration to care for his or her home and family;
- B. A single parent who, while married, owned a home with his or her spouse or resided in a home owned by the spouse. A single parent is an individual who is unmarried or legally separated from a spouse and has one or more minor children for whom the individual has custody or joint custody or is pregnant; or
- C. An individual or individuals who owns or owned, as a principal residence during the three-year period before the purchase of a home with CalHome assistance, a dwelling unit whose structure is:
 - Not permanently affixed to a permanent foundation in accordance with local or state regulations; or
 - In compliance with state, local, or model building codes and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure.

The City will review applicant-provided information, three years of federal tax returns, credit report, and current and previous residence ownership information to verify there is no record of property ownership in the previous three years.

Non-occupying co-borrowers or co-owners are not allowed.

3.3. ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE

Eligible homes will be those that are currently owner-occupied or have been vacant for three months prior to the acceptance of a contract to purchase. A unit is ineligible if its purchase would result in the displacement of a tenant. It is not anticipated that the implementation of the Program will result in the displacement of any persons, households, or families. However, if tenant-occupied homes are included in the Program and relocation becomes necessary, the activity will be carried out in compliance with City's relocation plan, which describes how those permanently displaced will be relocated and paid benefits in accordance with the following Federal laws.

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

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

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

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

3.4. CREDIT SCORE

Approval for the CalHome program will be based on the credit evaluation performed by the primary lender. Full payment through escrow of any accounts in collections or with a “charge off” status, excluding medical charges, will be a condition of the City’s loan approval. The Program loan may not be used toward these payments.

3.5. HOMEBUYER EDUCATION

All Program participants are required to attend a City-approved homebuyer education class. The homebuyer education class must be a course offered by a HUD-approved homebuyer counseling agency. The homebuyer education class will at a minimum cover the following topics: preparation for homeownership, available financing, credit analysis, loan closing, homebuyer responsibilities, home maintenance, and loan servicing. See **Attachment A** for the Homebuyer Education Plan.

A certificate of successful completion of Homebuyer Education shall be issued to each prospective homeowner and a copy submitted to the City prior to approval of a loan. It is preferred that the homebuyer education program be completed prior to consideration of loan approval by the Loan Advisory Committee. Counseling must have occurred within one year (12 months) of the date of the loan application.

Scheduling challenges due to work circumstances will not qualify an applicant for an exception to the in-person attendance requirement. The cost of Homebuyer Education may be reimbursed in the form of a

CalHome grant in an amount not to exceed the maximum published in the current Notice of Funding Availability (NOFA). A copy of the certificate shall be submitted to HCD.

3.6. MINIMUM CONTRIBUTION

Program participants must contribute a minimum down payment of one percent 1% of the purchase price but may contribute more if desired. The participant's contribution may be used toward closing costs. Seller credits, lender credits, and/or agent credits may not be counted toward the participant's minimum contribution. However, gift funds, if sourced appropriately, are acceptable.

Eligible households must document that they have the funds necessary for down payment and closing costs as required by the primary lender and the City. The Program's down payment requirement must be adhered to even if the primary lender has a lower down payment requirement. If the primary lender has a higher down payment requirement, no additional down payment is required by the Program.

3.7. INCOME QUALIFICATION PROCESS

A. Qualifying income will be determined as defined in 24 Code of Federal Regulations (CFR), Part 5.

B. DEFINITIONS:

- *Asset* means a cash or non-cash item that can be converted to cash. The value of necessary items such as furniture and automobiles are not included. It is the income earned (e.g. interest on a savings account), not the asset value, which is counted in household income.
- *Asset cash value* means the market value less reasonable expenses required to convert the asset to cash, including, for example, penalties or fees for converting financial holdings, and costs for selling real property. The asset cash value (rather than the market value) of an item is counted as an asset.
- *Household* means one or more persons who will occupy a housing unit. Non-related live-in caretakers paid from an outside source, unborn children, and foster children do not count in household size determination. Children are counted in household size determination only if they reside with the household at least fifty percent of the time.
- *Household income* is the annual gross income of all adult household members that is projected to be received during the coming 12-month period, and will be used to determine program eligibility. Refer to Income Inclusions and Exclusions in 24 CFR, Part 5, §5.609 for further guidance on the types of income to be included or excluded when calculating gross annual income. For those types of income counted, gross amounts (before any deductions have been taken) are used. The household's projected ability to pay, rather than past earnings, will be used when calculating income.

- C. Projected household income will be used to determine whether the applicant is at or below the published HCD income limits. Income qualification criteria, as shown in the most recent CalHome Guidelines, will be followed to independently determine and certify the household's annual gross income.
- D. The City will compare its calculation of household income to the income the primary lender used when qualifying the household, recognizing that the primary lender is usually underwriting to FHA or conventional loan guidelines and may not calculate the household income or assets through the method the Program requires. If the primary lender's calculation of income is substantially higher than the City's, the City's calculation will be reviewed and/or a note of explanation will be placed in the file.
- E. Income will be verified by reviewing and documenting tax returns, copies of pay stubs or other wage receipts, subsidy award letters or checks, banking and investment statements, and, if necessary, third-party verification of employment forms sent to employers. Other documentation necessary to confirm or calculate a household's income or assets may be required if deemed necessary by the City. All documentation shall be dated within six months prior to loan closing, kept in the applicant file, and held in strict confidence.
- F. There is no asset limitation for participation in the Program. Income from assets, however, is recognized as part of annual income. Assets used for down payment and deposited into an escrow account may be removed from consideration in income calculation.
- G. Income verification may not be more than six months old at the time of loan funding (i.e. loan closing). Applicants who were qualified more than six months before their funding date must be re-qualified prior to loan funding.

4. HOUSING UNIT ELIGIBILITY

4.1. LOCATION AND CHARACTERISTICS

- A. Housing units to be purchased must be located at a licensed mobilehome park within the boundaries of the City of Arcata.
- B. Housing unit types eligible for the Program are new or previously owned manufactured homes in a mobilehome park with a valid operating permit. Manufactured homes on a permanent foundation system and on real property to be owned by the applicant are considered a single-family residence, and are not eligible for this program.
- C. All housing units must be in compliance with State and local codes and ordinances in effect at the time of construction or substantial rehabilitation.

- D. Housing units located within a 100-year flood zone will be required to provide proof of flood insurance with an endorsement naming the City of Arcata as loss payee.
- E. The housing unit must be owner-occupied, vacant, or a unit occupied by the borrower. Tenant-occupied properties are ineligible.

4.2. MAXIMUM PURCHASE PRICE

The maximum allowable purchase price for eligible housing units shall not be higher than 100% of the current median sales price, as listed by county, and as posted at the California Association of Realtors website at <https://www.car.org/en/marketdata/data/countysalesactivity>. The maximum purchase price will generally be adjusted annually but may be adjusted as frequently as monthly to accommodate rapidly changing market conditions.

4.3. INSPECTION REQUIREMENTS

All eligible housing units must be safe and habitable prior to the close of escrow.

Once the applicant has executed a purchase agreement for a housing unit, and prior to a commitment of Program funds, the following steps must be taken to ensure there are no health and safety hazards present in the unit:

- A. Applicants must obtain a pest inspection report prepared by a qualified pest inspection company at their own cost. The pest report will identify any deficiencies that need to be corrected. Section 1 items must be cleared.
- B. Applicants must obtain a home inspection report prepared by a certified and independent third-party home inspector. The inspection should include electrical, wiring, plumbing, roofing, insulation, and structural features. All reported deficiencies that pose immediate health and safety hazard or code violation must be corrected as a condition to funding of a Program loan. The City and Department will not be held liable for any misrepresentation, false claims, or information contained in the inspection report.

The City maintains the right to deny the loan due to the condition of the Property. If the first mortgage lender is requiring repairs to the Property, a copy of the clearance report must be obtained and submitted to the City before close of escrow. All health and safety construction or repairs must be complete at the close of escrow and ready to occupy. Escrow holdbacks for construction and repairs are not allowed.

A “general home inspection” performed by a certified and independent third party home inspector is required for all properties purchased with DPAL loans. The inspection should include electrical, wiring, plumbing, roofing, insulation, and structural features. The inspection report may not be more than ninety (90) days old at the time the DPAL Lender Package is submitted to the City as required in Section

VI (Applicant Procedures) of this Manual. All reported deficiencies that pose immediate health and safety hazard or code violation must be corrected as a condition to funding of a DPAL loan. The City and Department will not be held liable for any misrepresentation, false claims, or information contained in the inspection report. The City maintains the right to deny the loan due to the condition of the Property. If the first mortgage lender is requiring repairs to the Property, a copy of the clearance report must be obtained and submitted to the

- C. Upon completion of all work required by the City, appraiser, pest inspector, and/or certified housing inspector, a final inspection will be conducted prior to the close of escrow.

4.4. APPRAISED VALUE

All eligible housing units must have values supported by an appraisal. Appraisals must be performed by independent, State-licensed appraisers with the knowledge and experience necessary to evaluate residential property.

The appraisal shall use the sales of comparable properties approach to determine value. Comparable sales used to estimate value should have occurred within the prior six months. The appraisal value must be equal to or greater than the contracted purchase price of the property.

Cash transactions and oral agreements outside of escrow are prohibited. Any agreements between the buyer, seller, and/or real estate agent must be included in the purchase agreement and/or escrow instructions.

5. PRIMARY LOAN

Prior to obtaining a loan from the City, a homebuyer must provide evidence of financing for the maximum amount the primary lender is willing to loan (the “primary loan”). The primary loan shall be recorded in first lien position.

5.1. LOAN TYPE AND TERM

The primary loan shall be fully amortized and have a term “all due and payable” at maturity. There shall not be a balloon payment due before the maturity date of the Program loan. The primary loan shall not include provisions for negative amortizations of principal increases of deferred interest. Graduated payment loans are not allowed. The primary loan’s term shall not exceed the city’s loan term.

5.2. INTEREST RATE

The primary loan must have a fixed interest rate in line with or below the current market rate. No temporary interest rate buy-downs are permitted. A permanent interest rate buydown is permitted if it does not cost more than 1% of the loan amount.

5.3. QUALIFYING RATIOS

The front-end (housing) debt-to-income ratio shall be between 25% and 40% and is the percentage of a borrower's gross monthly income (before deductions) that would cover the cost of the loan principal and interest payment, property taxes, property insurance, mortgage insurance, and HOA dues (if any). On recommendation by the Loan Advisory Committee, the City Manager may adjust the housing debt-to-income ratio by up to 5% with compensating factors.

The back-end (total) debt-to-income ratio shall not exceed 45% and is the percentage of a borrower's gross monthly income that would cover the cost of housing as described in the paragraph above, plus any other monthly debt payments like car/personal loans and credit card debt, as well as child support and alimony payments. On recommendation by the Loan Advisory Committee, the City Manager may adjust the housing debt-to-income ratio by up to 5% with compensating factors.

For purposes of calculating ratios, the City shall use the higher of the City's income calculation and the lender's income calculation. The City shall have no obligation to consider compensating factors in evaluating any proposed loan.

5.4. IMPOUND ACCOUNT

All Program participants are required to have impound accounts for the payment of taxes and insurance to ensure they remain current.

6. PROGRAM LOAN

6.1. MAXIMUM ASSISTANCE AMOUNT

The amount of direct Program assistance shall not exceed 40% of the purchase price for mobilehomes, up to a maximum of \$80,000. When considered with other available financing and assistance, the Program assistance will only be in the amount necessary to ensure affordable monthly mortgage payments and enable the borrower to purchase the home (as the CalHome loan is considered gap financing).

6.2. CLOSING COSTS

Non-recurring costs such as credit report, escrow, closing and recording fees, title report and title insurance, title updates, and/or related costs may be included in the Program loan. The maximum amount of closing costs included in the Program loan will be 5% of the purchase price or the total of non-recurring closing costs, whichever is less. Closing costs paid by the seller and/or lender (including through lender credits) will not be eligible for inclusion in the Program's closing costs calculation.

The City may charge a loan processing activity delivery fee not to exceed the maximum amount published in the current CalHome Super NOFA.

6.3. ASSISTANCE CALCULATION

The actual amount of a participant's Program subsidy shall be computed according to the housing ratio parameters specified in Section 5.3. Each borrower shall receive only the subsidy needed to allow them to become a homeowner while keeping their housing costs affordable. The City will use the front-end ratio to determine if the amount of the proposed primary loan is acceptable. The front-end ratio will also be used to determine the Program subsidy amount required, bridging the gap between the acquisition cost (purchase price plus closing costs) less down payment and the amount of the primary loan. If the borrower's back-end ratio is below the minimum, the Program subsidy will not exceed that required to bring the borrower's total debt-to-income payment ratio to the minimum back-end ratio.

Qualifying ratios are only a rough guideline in determining a potential borrower's creditworthiness. Other factors—such as credit history, income stability, amount of down payment, and size of loan—may influence the decision to approve or disapprove a particular loan.

6.4. LOAN TERMS

All Program assistance shall be made in the form of a forgivable 20-year deferred loan at one and a half percent (1.5%) interest as required by State CalHome policy. Ten percent (10%) of the principal of the loan shall be forgiven each year beyond the 10th year that the home is owned and continuously occupied by the homeowner. The loan must be secured against the property through, at a minimum, a Security Agreement registered with Housing and Community Development as a lien against the mobile/manufactured home. The Program loan shall be recorded in second position to the senior loan. Any other liens shall be subordinate unless an exception is granted by the Loan Advisory Committee.

Program loans are not assumable. The loan may be refinanced or restructured.

6.5. INTEREST RATE

The Program loan's interest rate shall be 1.5% simple interest.

6.6. COMBINED 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, shall not exceed 100% of the sales price plus a maximum of up to 5% of the sales price to cover actual closing costs. The combined loan-to-value ratio must include all subordinate financing.

6.7. SUBORDINATE FINANCING

Several funding sources might be required in order for a low-income household to obtain a home. Subordinate loans may be used to cover mortgage subsidy costs that exceed the Program maximum loan amount. All subordinate loans must have the payments deferred and the term must be for at least as long as the term of the Program loan unless the subordinate loan will be forgiven prior to the Program loan term.

Subordinate financing that involves a resale restriction must be recorded after the Program loan and will be prohibited if the resale restriction cannot be extinguished by payoff of the subordinate financing.

The lien securing repayment of the Program loan shall be subject only to those liens, encumbrances, and other matters of record that have been reviewed and approved by the City. The Program loan must be recorded in the first lien position after the amortized primary loan. Junior lien holders may be required to execute a subordination agreement to subordinate their liens to the Program loan.

6.8. LOAN DOCUMENTS

The borrower(s) shall sign, at a minimum, the following documents:

- A. Loan Agreement
- B. Promissory Note
- C. Mobilehome/Manufactured Home Security Agreement
- D. Statutory lending notices (e.g., Truth in Lending disclosure)

Documents will be provided to the escrow company for the borrower to sign. The City's escrow instructions will specify that the Mobilehome/Manufactured Home Security Agreement and Request for Notice of Default are to be recorded with the Humboldt County Clerk-Recorder concurrently with the senior lender's documents.

6.9. INSURANCE

At the time of escrow closing, the City shall be named as an additional loss payee on fire, flood (if required), and extended coverage insurance for the length of the loan and in an amount sufficient to cover all encumbrances or full replacement cost of the housing unit. A policy of title insurance naming the City as insured is also required.

6.10. ESCROW PROCEDURES

The escrow/title company shall review the escrow instructions provided by the City and shall issue a California Land Title Association (CLTA) policy after closing. The City instructs the escrow/title company in the escrow instructions as to what may show on the policy, the amount of insurance on the policy (all liens should be covered), and the loss payee (primary lender should be listed as a loss payee and receive an original ALTA).

Cash out of escrow to the borrower is limited to the amount deposited into escrow by the borrower and not needed for any lender-required down payment. Excess cash over that described above shall be paid to the City, deposited into the City's Reuse Account, and credited as a principal reduction of the homebuyer's loan. Seller, lender, and/or agent credits that create a cash-back situation shall be considered excess cash.

7. PROGRAM LOAN REPAYMENT

7.1. LOAN PAYMENT

Borrowers may make voluntary payments. Borrowers may begin making payments at any time.

Program loan payments must be made to:

City of Arcata
Finance Department
736 F Street
Arcata CA 95521

or a third-party servicing provider as directed by the City.

The City may, at its discretion, enter into an agreement with a third party to collect and distribute payments and/or complete all loan servicing aspects of the Program.

7.2. DUE UPON SALE OR TRANSFER

In the event that a borrower sells, transfers title, or discontinues primary residence in the purchased property for any reason, the principal balance of the Program loan is immediately due and payable to the City.

- A. If an owner converts the property to a rental unit, or any commercial or non-residential use, the loan is due and payable.
- B. The loan will be in default if the borrower fails to maintain required fire or flood insurance or fails to pay property taxes. See Attachment B on loan defaults for further information on property restrictions.
- C. The following transfers of interest shall not require the repayment of the CalHome program Loan:
 - a. Transfer to a surviving joint tenant by devise, descent, or operation of law on the death of a joint tenant;
 - b. A transfer, in which the transferee is a person who occupies or will occupy the property, which is:
 - i. A transfer where the spouse becomes an owner of the property;
 - ii. A transfer resulting from a decree of dissolution of marriage, legal separation agreement, or from an incidental property settlement agreement by which the spouse becomes an owner of the property; or
 - iii. A transfer into an inter vivos trust in which the Borrower is and remains the beneficiary and occupant of the property

7.3. LOAN SERVICING

See **Attachment B** for loan servicing policies and procedures. **All loans must be repaid.** All legal means to ensure the repayment of a delinquent loan as outlined in the Loan Servicing Plan will be pursued.

The City will be the receiver of loan payments and will maintain a financial record-keeping system to record payments and file statements on payment status. The City will accept loan payments from borrowers prepaying deferred loans, and from borrowers making payments in full upon sale or transfer of the property. Payments shall be deposited and accounted for in the City's Reuse Account. See **Attachment C** for the City's Reuse Account Plan

7.4. LOAN MONITORING

The City will monitor borrowers and their housing units to ensure adherence to Program requirements including, but not limited to, the following:

- A. Owner-occupancy
- B. Property tax payment
- C. Hazard insurance coverage
- D. Flood insurance coverage (if required)

8. EXCEPTIONS AND SPECIAL CIRCUMSTANCES

The City may make amendments to these Program Guidelines. Any changes shall be made in accordance with regulations, with minor and routine changes being approved by the City's Loan Advisory Committee. Major program changes shall be approved by the City Council. Changes shall then be sent to HCD for approval.

8.1. DEFINITION OF EXCEPTION

An exception is defined as any case to which a standard policy or procedure (as stated in the guidelines) does not apply, or in which an applicant is treated differently from others of the same class.

8.2. PROCEDURE FOR EXCEPTIONAL CIRCUMSTANCES

The City may initiate consideration of an exception and prepare a report. This report shall contain a narrative, including the City's recommended course of action and any written or verbal information supplied by the applicant.

The City's Loan Advisory Committee shall make a determination on the exception based on the recommendation of City staff.

9. DISPUTE RESOLUTION AND APPEALS PROCEDURE

Any applicant denied assistance from the Program has the right to appeal. The complaint or appeal must be made in writing and filed with the City within one year of the denial. The City will then schedule a meeting with the Loan Advisory Committee. The Committee's written response to the appeal will be made within thirty (30) working

days of the applicant's filing. If the applicant is not satisfied with the Loan Advisory Committee's decision, a request for an appeal may be filed with the City Council within one year of the denial.