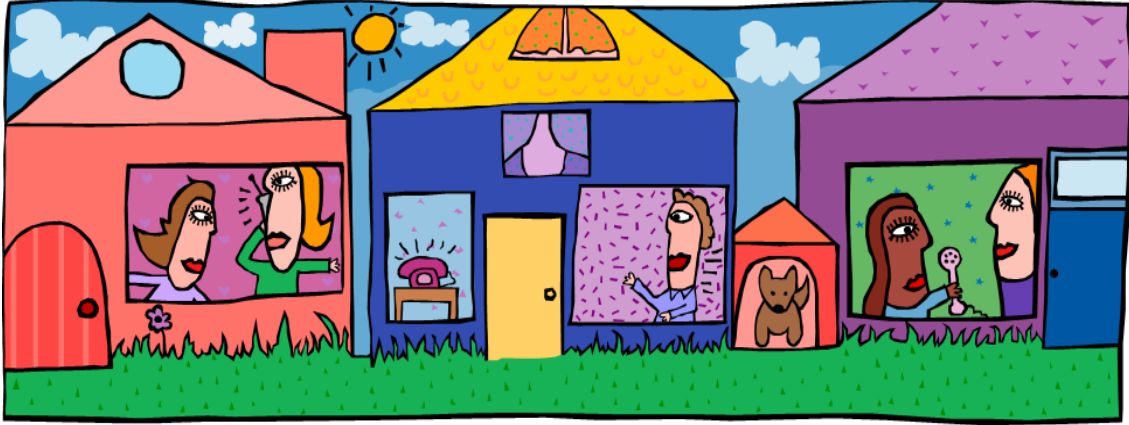


City of El Cajon



First-Time Homebuyer Program Manual

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as of November 2022

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SECTION 1 - OVERVIEW AND PURPOSE

Homeownership has always been – and continues to be – the single best long-term investment for most Americans. It is a primary source of wealth and financial security for many households, helping to provide for education, retirement and more. Benefits include: individual asset accumulation – primarily through home price appreciation and pay down of the principal balance on a mortgage, which in turn leads to other opportunities for building wealth for current and future generations (e.g., education, small business, etc.); enhanced satisfaction with one’s housing and neighborhood; stronger neighborhood ties and civic participation; positive outcomes for children, including higher educational attainment, and increase in future homeownership rates; improvements in individual housing quality; and stronger neighborhoods.

In an effort to strengthen neighborhoods and families, the City of El Cajon offers loans designed to assist Lower-Income and in limited cases Moderate-Income first-time homebuyers to purchase a new or existing single-family residence or condominium home within the City of El Cajon under the American Dream First Time Homebuyer Program (FTHB Program). The FTHB Program may utilize a combination of HOME, CALHOME, or other funds, depending upon availability and Borrower eligibility.

To maximize the effectiveness of the FTHB Program as a vehicle for ensuring affordability, the assistance provided by the City will be in the form of a deferred payment, non-interest-bearing loan(s) with provisions for repayment of the principal amount and a share of any equity in lieu of interest (except in the case of default). Depending on the funding source, the principal and equity-share (or interest in the case of default) is due and payable upon a variety of conditions or circumstances, the most common one being the sale or transfer of the home. In all programs, the principal amount is never forgiven and must be repaid upon non-owner occupancy of the program- assisted property.

The City’s loans are intended to provide long-term residency in the program-assisted home. In all programs, a Period of Affordability (or Affordability Period) is imposed which sets forth the minimum period of time properties are required to be occupied by a Borrower as his/her principal place of residence under the regulations pertaining to the funding source used.

The succeeding First-Time Homebuyer Program Manual simply sets forth the policies and procedures for all First-Time Homebuyer (FTHB) Programs administered by the City of El Cajon or its designee. All policies and procedures are subject to change without notice.

FUNDING SOURCES AND FUNDING AVAILABILITY

Currently, the City of El Cajon uses Federal and State funding (when available) to implement the American Dream FTHB Program. Through the U.S Department of Housing & Urban Development (HUD), the City receives an annual allocation from the HOME Investment Partnership (HOME) Program funds. In addition, when funding is available, the City has the opportunity to apply for additional funding through the California Department of Housing and Community Development (HCD) for CalHome or other funding. These funding sources allow the City to provide leveraged down-payment and closing cost assistance for eligible Lower-Income families.

Although the above-mentioned sources of funding are identified for FTHB Program assistance, receipt of these funds are subject to annual funding allocations at the Federal, State and local level or return from existing loans. The City will continually search for new funding sources to increase homeownership opportunities in El Cajon and assistance may come in various forms provided directly from the City or through outside sources including: FTHB Program assistance, Mortgage Credit Certificates, homebuyer education partnerships, or other creative assistance that may become available in the near future.

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SECTION 2 - DEFINITIONS

- 1. ADJUSTED FOR FAMILY SIZE APPROPRIATELY TO THE UNIT:** In accordance with CH&SC §50052.5(h) and compliance with “affordable housing cost”: a household of one person in the case of a studio unit, two persons in the case of a one-bedroom unit, three persons in the case of a two-bedroom unit, four persons in the case of a three-bedroom unit, and five persons in the case if a four-bedroom unit.
- 2. ADMINISTRATOR (DESIGNEE):** The City entered into a Subrecipient Agreement with the San Diego Housing Commission to administer the Program on behalf of the City.
- 3. AFFIDAVIT:** A deposition filed in connection with the program made under oath and subject to penalties of perjury.
- 4. AFFORDABILITY PERIOD (CALHOME):** None.
- 5. AFFORDABILITY PERIOD (HOME):** Pursuant to 24 CFR 92.254, all HOME assisted properties will have recorded covenants requiring occupancy and affordability restrictions under the America Dream FTHB Program commencing on the date of the recordation of the Deed of Trust. HOME assisted units carry occupancy restrictions for varying lengths of time based on the total HOME Investment per unit as follows: <\$15,000 = 5 years, \$15,000 to \$40,000 = 10 years , > \$40,000 = 15 years, and for new construction is 20 years.
- 6. AFFORDABLE HOUSING COST:** See “Monthly Housing Cost”.
- 7. AMERICAN DREAM FTHB PROGRAM:** A Loan provided by the City to a First-Time Homebuyer utilizing funds solely or in part from the HOME, CalHome Program(s), or other funds periodically received by the City of El Cajon.
- 8. APPLICANT:** Any person or Household who applies for City loan assistance. An Applicant must include each Borrower and their respective spouses and other Household members who wish to go on title to the assisted property.
- 9. ANNUAL INCOME:** The gross amount of all income for all adult household members that is anticipated to be received during the coming twelve (12) months, as defined in The Department of Housing and Urban Development’s Technical Guide for Determining Income and Allowances. All income derived from any source, including income from wages (gross pay), overtime, pensions, veteran’s compensation, bonuses, public assistance, alimony, net rental income, dividends and interest, etc. must be included (Refer to **Appendix A**).
- 10. AREA MEDIAN INCOME:** The median family income of a geographic area of the state, as annually estimated by the United States Department of Housing and Urban Development pursuant to Section 8 of the United States Housing Act of 1937: the median income for the San Diego County Primary Metropolitan Statistical Area (PMSA), with adjustments for household size, as adjusted from time to time by the U.S. Department of Housing and Urban Development (HUD).

- 11. ARMS LENGTH TRANSACTION:** A transaction in which the buyer(s) and seller(s) of a product act independently and have no relationship to each other. The concept of an arm's length transaction is to ensure that both parties in the deal are acting in their own self-interest and are not subject to any pressure or duress from the other party.
- 12. ASSETS:** Cash or a non-cash item that can be converted to cash. Assets exclude necessary personal property.
- 13. BORROWER:** A First-Time Homebuyer who has or will receive a loan from the City.
- 14. BORROWER'S CASH CONTRIBUTION:** is defined as the sum of costs actually paid by the Borrower plus any gift funds approved by the City (less any refund) for the original purchase of the security property which may include, but are not limited to: down-payment, installment payments of mortgage principal on the First Trust Deed, escrow fees, transfer taxes, recording fees, brokerage commissions, other similar costs of the acquisition, Documented Capital Improvements, plus not less than the Legal Rate of Interest on those cash payments. Borrower's Cash Contribution does not include any credit for closing costs, rebate financing, concessions, etc., provided by any party other than borrower. Borrower must contribute no less than 2% of the purchase price.
- 15. CALHOME FUNDS:** Funds received pursuant to the CalHome Program under the California Department of Housing & Community Development (HCD) codified at Chapter 6 (commencing with section 50650) or Part 2 of Division 31, Health & Safety Code.
- 16. CATASTROPHIC EVENT:** An event such as a disaster which results from a terrorist, military action, a federally-declared major disaster or emergency, the death of a Borrower, or other catastrophe that it is irreparable, the City will consider at its sole discretion (with all necessary approvals and required documentation by the City) taking one of the following actions on the City loan:
 - a. Forgiveness of the total unpaid principal balance of the second or third mortgage and the release of the loan;
 - b. Forgiveness of the portion of the unpaid principal balance of the second or third mortgage loan that results in the combined loan-to-value ratio being more than 100% of the value of the property and the release of that portion of the debt from the subordinate lien (as evidenced by the contemporaneous execution of a Modification Agreement that reduces the secured debt of the existing second or third mortgage);
 - c. Release of the existing second or third mortgage loan, with no forgiveness of the debt, and the contemporaneous execution of an unsecured promissory note equal to the unpaid principal balance of the second or third mortgage or a Modification Agreement that makes the existing second or third mortgage an unsecured loan;
 - d. Release of the portion of the existing second or third mortgage loan that results in the combined loan-to-value being more than 100% of the value of the property, with no forgiveness of that portion of the debt, and the contemporaneous execution of an unsecured promissory note equals to the amount released from the second or third mortgage and a Modification Agreement that reduces the secured debt of the existing second or third mortgage by the amount of the new unsecured promissory note;
 - e. Release of the existing second or third mortgage loan, with no forgiveness of the debt, and the contemporaneous execution of a secured promissory note and deed of trust equal to the unpaid principal balance of the second or third mortgage on an alternate property; or
 - f. The "sold" price (after a catastrophic event) shall be determined by the actual sales price of the assisted-property plus any additional cash, in-kind services, personal property, etc. given for the

purchase of the property.

17. **CITY:** The City of El Cajon, a municipal corporation.
18. **COMBINED LOAN-TO-VALUE (CLTV):** The ratio of the sum of the new 1st mortgage and all City/Authority liens divided by the sale price or appraised value of the property, whichever is less. The CLTV shall not exceed 100% of the purchase price or appraised value, whichever is less.
19. **COMMITMENT or TENTATIVE LOAN COMMITMENT:** A document which is originated and issued by the City or its designee based on review and approval of a complete application package and lender's certification that the requirements necessary for issuance of a City loan have been met. A commitment will be valid for 45 days.
20. **CURRENT APPRAISED VALUE:** The value of the property established from an independent appraiser licensed by the State of California not less than 6 months old. The City reserves the right to obtain an independent appraisal at its own expense.
21. **CURRENT SALES PRICE:** The price established for the property in the open market and shall include anything of value given for consideration (e.g., cash, personal property, real property, etc.).
22. **DEBT-TO-INCOME RATIO (DTI) or BACK-END-RATIO:** The ratio of the monthly housing costs plus all payments on long-term installment and revolving debt payments, divided by the monthly household income.
23. **DISPLACED HOMEMAKER:** An A) adult; B) has not worked full-time, full-year in the labor force for a number of years but has, during such years, worked primarily without remuneration to care for the home and family; C) is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment. A displaced homemaker also includes a single parent that while married, owned a home with his or her spouse or resided in a home owned by the spouse.
24. **DOCUMENTED CAPITAL IMPROVEMENTS:** Improvements listed by the IRS as Improvements (not repairs) in IRS publication 530 (or equivalent). All documentation necessary to establish said improvements must be submitted to the City for review and approval. Borrower should contact the City of El Cajon Building Division (619-441-1726) to ensure that any Documented Capital Improvements meets current code and permits are obtained when required.
25. **EFFECTIVE PERIOD:** The period commencing on the date of an agreement and ending on the earlier of the repayment of the loan from the City, or thirty (30) years (HOME and CalHome) after the recordation of the Deed of Trust.
26. **EIGHTY PERCENT OF AREA MEDIAN INCOME:** Annual Income (HOME) or Gross Income (CalHome) which does not exceed eighty percent (80%) of the Area Median Income.
27. **ELIGIBLE BORROWER OR ELIGIBLE HOUSEHOLD:** Any person/household meeting the criteria for an eligible borrower set forth in this manual, who is in the process of securing financing for the purchase of a principal residence.
28. **ELIGIBLE DWELLING:** Real property (a Single Family Residence or condominium unit) located within the City of El Cajon city limits. This may include a residential unit to be built, a new (not previously occupied) unit, or an existing home which has been previously occupied. The unit must be designed as a residence for one household, and must meet property standards and criteria as set forth in this manual.
29. **ELIGIBLE PERSON or HOUSEHOLD:** Any person or household that earns less than 80% of the Area Median Income for San Diego County. The City will publish the limits for HOME and CalHome funds and meets the requirements of the applicable program (CalHome or HOME).
30. **EQUITY or NET APPRECIATION (CALHOME and HOME):** Is calculated by subtracting the Seller's Applicable

Closing Costs, Seller's Cash Contribution in the Original Purchase Price transaction, and the Documented Value of Capital Improvements from the Gross Appreciation amount.

31. **EQUITY SHARE PERIOD:** The period in which the City shall share Net Appreciation if the property is sold, rented, refinanced, conveyed, transferred or no longer owner-occupied (except with the express written consent of the City).
32. **EXISTING HOME (ALSO RESALE):** A dwelling unit that has been previously occupied.
33. **FAMILY:** Means an individual, or two or more persons related by blood or marriage, or a group of unrelated individuals living together and bearing the generic character of a relatively permanent housekeeping unit in a dwelling unit (EC City Ord. 4653 §19 (part), §68, 2000). See also Household below.
34. **FIRST-TIME HOMEBUYER:** An individual who has never, or in the past 3 years prior to application, had any ownership interest in a principal residence.
 - a. **Exceptions to First-Time Homebuyer status:** Displaced Homemaker(s); Single Parent(s) who, while married, owned a home with her/her spouse or resided in a home owned by a spouse; persons who owned, as a principal residence, factory built housing (manufactured or mobile- home) that is not permanently affixed to a permanent foundation.
35. **FORECLOSED:** A property "has been foreclosed upon" at the point that the title for the property has been transferred from the former homeowner under some type of foreclosure proceeding or transfer in lieu of foreclosure, in accordance with state and local law.
36. **GIFT FUNDS:** Bonafide gift funds are allowed as the City 2% down-payment/closing cost if received from immediate family members (parent, sibling, and grandparent), domestic partner, church, employer or non-profit agency, with documentation. Gift Funds must not be repayable, cannot be used to meet the Borrower's Reserve Requirement, and cannot be obtained from any loan source.
37. **GROSS APPRECIATION:** Increased property value calculated by subtracting the Original Sales Price from the Current Sales Price or Current Appraised Value (as may be the case in a refinance).
38. **GROSS INCOME:** All income as defined in 24 CFR Part 5 for the HOME Program (Refer to **Appendix B**). For the Cal-Home Program, loans to Households must have incomes that are at or below 80 percent of Area Median Income (AMI) (HSC § 50052.5, subd. (b)).
39. **HOME FUNDS/HOME INVESTMENT:** Funds received pursuant to the Home Investment Partnership Program under the Department of Housing and Urban Development (HUD), codified at 42 U.S.C. Section 12701, et seq., 24 CFR Part 92.
40. **HOMEBUYER ASSISTANCE:** Funds requested by the Buyer from the City or its Agent to purchase a program eligible property. The funds can be used towards closing costs, the required downpayment or as gap financing.
41. **HOMEBUYER EDUCATION:** A specific course of instruction, designed pursuant to California Code of Regulations (CCR) Title 25, Section 7722, to educate first-time homebuyers regarding various aspects of purchasing and maintaining a home for applicants accessing the CalHome and HOME Program. Applicants seeking HOME funds must attend a homebuyer education course that has been approved by HUD and is on the list of Homebuyer Education Providers on the San Diego Housing Commissions' approved list.
42. **HOMEBUYER COUNSELING:** Effective August 23, 2013, any homebuyer that enters into a written agreement for HOME assistance (e.g., downpayment or closing cost assistance) or enters into a sales contract for the purchase of a HOME-assisted unit must receive housing counseling. See §92.254(a)(3). Applicants seeking HOME funds must receive homebuyer counseling. Please refer to the San Diego Housing Commissions' approved list of Counselors.
43. **HOMEOWNER INVESTMENT:** The initial Seller's Cash Contribution plus any Documented Capital Improvements.

44. **HOMEOWNERSHIP:** Fee simple interest, leasehold interest, shared interest in a limited equity housing cooperative, or interest in a mutual housing project.
45. **HOUSEHOLD:** One or more persons occupying the same housing unit (except foster children, unborn children and children being pursued for legal custody or adoption that are not currently living with the household). For HOME/CALHOME, foster children are included.
46. **HOUSING RATIO:** The ratio between the monthly housing costs, including first mortgage principal, interest, taxes, and insurance, divided by the monthly household income. The Housing Ratio shall also include HOA dues, lease payments or space rent, mortgage insurance and subordinate lien payments, as applicable.
47. **INTERESTED PARTY:** Means any party who has a financial stake or will benefit from a transaction and may include, but is not limited to: the Seller, Realtor(s), Lender, Escrow, Title, or other parties/entities.
48. **ISSUER:** The City of El Cajon.
49. **LENDER or PARTICIPATING LENDER:** A financial institution, whether broker, retail, or wholesale, licensed to provide mortgage loans in the State of California. The institution must meet all the requirements established by the City or its Subrecipient to participate as a lender in the City Program(s).
50. **LIQUID ASSETS:** The total amount of funds that are in the form of cash or can quickly be converted to cash. These include: (1) cash; (2) demand deposits; (3) time and savings deposits; and (4) investments (i.e. most stocks, money market instruments and government bonds) capable of being quickly converted into cash without significant loss, either through their sale or through the scheduled return of principal at the end of a short time remaining to maturity. Liquid Assets do not include: retirement, life insurance, loan, gift funds, or minor accounts. Accounts held jointly with a parent or other parties are not Liquid Assets unless proof of deposit directly from the Borrower is provided.
51. **LOAN:** An extension of credit provided to an Eligible Borrower to finance the purchase of an Eligible Dwelling.
52. **LOAN TERMS:** Conditions and requirements included in a loan agreement that specify the loan amount, term, interest rate, and other enforceable conditions agreed to by the Borrower and the Lender.
53. **LOAN-TO-VALUE-RATIO:** The ratio between the amount of the City loan against a property and the appraisal value of the property securing the loan.
54. **LOWER- or LOW- INCOME HOUSEHOLD:** Means a person or Household with income not greater than 80% of the Area Median Income as established by the U.S Department of Housing and Urban Development or State of California Published Limits.
55. **MAXIMUM SALES PRICE/VALUE LIMIT (HOME and CALHOME):** The Maximum Sales Price cannot exceed

the HUD approved limit. As of June 2022 through June 30, 2023, the HUD approved limit is \$722,000 for a single family home and \$418,000 for a Condominium.

56. **MONTHLY HOUSING COST:** The total monthly housing cost, including first mortgage principal, interest, taxes, and insurance. The Monthly Housing Cost shall also include HOA dues, lease payments or space rent, mortgage insurance and subordinate lien payments, as applicable.
57. **NET APPRECIATION or EQUITY (CALHOME and HOME/AMERICAN DREAM):** Is calculated by subtracting the Seller's Applicable Closing Costs, Seller's Cash Contribution in the Original Purchase Price transaction, and the Documented Value of Capital Improvements from the Gross Appreciation amount.
58. **NET APPRECIATION)** Is calculated by subtracting the Borrower's Cash Contribution from the Gross Appreciation amount.
59. **NET PROCEEDS:** Sales price minus loan repayment (other than CalHome/HOME funds) and closing costs.
60. **NEW HOME:** A dwelling unit that is proposed to be constructed, is currently under construction, or exists but has not been previously occupied.
61. **NON-RECURRING CLOSING COSTS:** Are charges and fees which only occur one time and will not occur again; i.e., escrow fee, title insurance, recording, document preparation, notary, loan origination, etc.
62. **OCCUPANCY:** A property that is a Borrower(s) principal or primary residence for the life of the Effective Period of the City.
63. **ORIGINAL PURCHASE PRICE:** The amount paid for the assisted property, plus any financed upgrades or closing costs, as listed on the Final HUD-1 Settlement Statement as the "Contract Sales Price" or "Total Consideration".
64. **OWNERSHIP:** Any of the following interests in property that constitutes an ownership interest by the Applicant or Borrower: fee simple interest; joint tenancy; tenancy in common; interest of a tenant-shareholder in a cooperative; life estate; interest held in trust for the Applicant; partnership; or other interests.
65. **PAYMENT SHOCK:** A situation that occurs when the new proposed total monthly payment is sharply higher in percentage than the borrower's current housing/rent payment and is calculated as follows:
 - a. The proposed total Monthly Housing Cost MINUS the current housing/rent payment, divided into the current housing/rent payment. This difference equals a percentage of "payment shock" over and above the current housing/rent payment.
 - i. For example: a proposed total Monthly Housing Cost is \$1,900 MINUS current housing/rent payment of \$900 equals a housing difference of \$1,000. \$1,000 divided by \$900 equals a 111.12% payment shock or payment increase.
66. **PRINCIPAL RESIDENCE:** (1) a single-family house; (2) condominium unit; (3) stock held by a tenant-stockholder in a cooperative housing corporation (as defined in the Internal Revenue code Section 216(b) (1) and (2)); (4) occupancy in a multi-family building unit owned by the Applicant; and (5) any manufactured home (including a mobile home) as defined under federal law which is installed at a fixed location. Principal residence does not include recreational vehicles, campers and other similar vehicles. The residence must be occupied as the primary home of the buyer.

- 67. PROHIBITED MORTGAGE:** Any liens not approved by the City.
- 68. PROPERTY STANDARDS:** Pursuant to §92.3(b), the new property standards requirements (see §92.251) apply to projects to which funds are committed on or after January 24, 2015. This includes the minimum performance standards a property must meet for program eligibility. In addition, any incipient building code violations must be corrected prior to sale or occupancy.
- 69. PROPERTY VALUE:** The value of the eligible property as determined by an Appraiser licensed in the State of California. The City may obtain a separate appraisal review in the event the purchase/sales price value is greater than the appraised value submitted by Lender on behalf of Borrower.
- 70. PURCHASE PRICE:** The cost of acquiring the residence. (Cost excluding usual and reasonable settlement or finance costs and the value of services performed by Lender in completing the acquisition).
- 71. QUALIFYING HOUSEHOLD (CALHOME AND HOME/AMERICAN DREAM):** A very low and/or low-income person or family whose income is not greater than eighty-percent (80%) of the Area Median Income, as determined periodically by HUD, and who is otherwise eligible to purchase a house.
- 72. RELATED PERSON:** Any party(ies) who may have a beneficial interest in the sale or financing of the subject property, other than a Lender and/or Participating Lender.
- 73. RESERVE REQUIREMENTS:** The Borrower must maintain not less than one paycheck in Liquid Assets in reserves after close of escrow.
- 74. SELLER'S APPLICABLE CLOSING COSTS:** Those costs of broker's commissions, escrow fees, title costs and fees, recording fees, etc.
- 75. SELLER'S CASH CONTRIBUTION:** Cash deposited by the Borrower (less any refund) in the Original Purchase Price transaction. Seller's Cash Contribution does not include any credit for closing costs, rebate financing, etc., provided by an interested 3rd party.
- 76. SINGLE-FAMILY RESIDENCE:** A housing unit intended and used for occupancy by one Household.
- 77. SINGLE PARENT:** An individual who: a) is unmarried or legally separated from a spouse; and b)(i) has 1 or more minor children for whom the individual has custody or joint custody; or b)(ii) is pregnant.
- 78. SWEAT EQUITY:** Reasonable labor rates + materials (prevailing wage, instead of minimum wage, established by a local union).
- 79. TERM:** The amount of a time set by the Lender for a Borrower to pay a first mortgage loan. Most first Deed of Trust mortgages have a 15-year or 30-year term. Term also refers to Effective Period.
- 80. VOLUNTARY ACQUISITION:** A requirement of HOME funds is to provide notification to the seller of their rights as described in compliance with federal regulations.

Section 3

First-Time Homebuyer Program Manual

SECTION 3 - ELIGIBILITY REQUIREMENTS

The City of El Cajon **AMERICAN DREAM FIRST-TIME HOMEBUYER PROGRAM** is available for households earning at or below 80% of the Area Median Income (AMI) for the San Diego Metropolitan Statistical Area (MSA). The program utilizes **multiple** sources of funds for first-time homebuyer assistance available to lower income families to purchase their first home in the City of El Cajon.

I. BORROWER REQUIREMENTS

A. INCOME REQUIREMENTS

1. HOME Funds:

The Annual Income¹ of assisted households cannot exceed 80% of the Area Median Income (AMI) for the San Diego Metropolitan Statistical Area as determined annually by HUD and may be amended from time to time. Refer to **Appendix A** (HOME) for Annual Income inclusions and exclusions.

The Annual Income of the household shall not exceed 80% of the Area Median Income for San Diego County Metropolitan Statistical Area published by HUD, as may be amended from time to time:

- a. All members of the household over age 18 will require submission of a 1003, Statement of Information, full income, and assets documentation.
- b. Court-Ordered income (Child Support, Alimony, etc.): Shall be counted toward the total household income. If proof and receipt cannot be provided for a full 12-month period, housing and debt-to-income ratios and the amount of assistance may be reduced accordingly.

2. CALHOME Funds (below 80% AMI):

The Gross Income² of assisted households cannot exceed 80% of the Area Median Income (AMI) for the San Diego Metropolitan Statistical Area for the CalHome Program, as determined annually by HCD and as may be amended from time to time. Refer to **Appendix A** for Gross Income inclusions and exclusions.

The annual Gross Income of the household shall not exceed 80% of the AMI published by the State of California Department of Housing & Community Development (HCD), as may be amended from time to time:

- a. Court-Ordered income (Child Support, Alimony, etc.): Shall be counted toward the total household income. If proof and receipt cannot be provided for a full 12-month period or if payments are sporadic, this may affect the housing and debt-to-income ratios. The Program Administration may adjust the income that is used when determining whether the borrower meets the City's underwriting criteria (ratios) the amount of assistance may be reduced accordingly.

All members of the household over age 18 will require submission of a 1003, Statement of Information, full income, and assets documentation.

¹ Annual Income is defined for purposes of reporting as income and exclusions set forth in 24 CFR Part 5. See Appendix A for details.

² Gross Income is defined under Title 25, Division 1, Chapter 6.5, Subchapter 2, §6914.

B. CREDIT (ALL FUNDS)

The credit history of all mortgagors must meet FNMA guidelines, modified to City requirements, as follows:

1. A 3-merge credit report or Residential Mortgage Credit Report (RMCR) must be provided;
2. DU findings of “Refer with caution” or “Expanded approval/I eligible I, II, or III” will require further City review;
3. Minimum mid FICO score of 650;
4. A Bankruptcy must be discharged for a minimum of 4-years (or 2-years if an exception from the City is obtained due to an extenuating circumstance);
5. Short-sales or foreclosures must be discharged for a minimum of 5-years;
6. Judgments, collections, involuntary liens must be paid in full;
7. No delinquencies in the past 24 months and no accounts can be past due;
8. Limited or no credit will require non-traditional or alternative credit history; and
9. A credit report of all persons taking title and non-purchasing spouses will be required.
10. LIQUID ASSETS/RESERVE REQUIREMENTS (ALL FUNDS)
11. The Borrower(s) shall maintain one paycheck (gross amount) in Liquid Assets in reserves after close of escrow.

C. BUYER CONTRIBUTION REQUIREMENTS (ALL FUNDS)

The Borrower(s) must contribute not less than 2% of the purchase price that be used towards closing toward down-payment or closing costs of the property. The source of the borrower’s contribution can be derived from Liquid Assets, Gift Funds or Retirement Funds. Requirements for Gift Funds and Retirement Funds are as follows (see definition of Gift Funds below and under Section 2 Definitions):

1. Gift funds:

- Are allowed from an immediate family member, church, employer or non-profit agency, with documentation and no expectation of repayment;
- Gift funds cannot be used to meet the borrower Reserve Requirement (see Liquid Assets/Reserve Requirements);
- Gift funds cannot be obtained from any loan source;
- Gift documentation required (gift letter, source bank statement, copy of check, copy of deposit);
- Gift funds must be deposited to escrow from an approved donor;
- Gift are allowed as a source of the 2% borrower investment that can be applied towards down-payment requirement and/or closing costs.

2. Retirement Funds:

- Accounts in the name of the Borrower(s);
- Are allowed as a source of the 2% down payment requirement and/or closing costs; and
- The funds must be in the form of a permanent withdraw (not a loan) from a 401-k or similar retirement account for use in the purchase of a home. A 401-K type loan may be considered if the loan payment does not cause an increase in the Debt-To-Income Ratio and requires additional City/Authority funding.

D. CITIZENSHIP (HOME FUNDS ONLY)

Each household member must be a citizen or other national of the United States or a qualified alien as defined by the Federal Personal Responsibility and Work Opportunity Act of 1996 (PRWORA) and 8 U.S.C 1611 et. Seq.

The residency status of a qualified alien must be continuous in nature and equal to or exceed the period of affordability (equity share period) required under 24CFR 92.254 and CH&SC Section 33413(b) (2) (C), as may be amended from time to time.

E. OTHER BORROWER REQUIREMENTS (ALL FUNDS)

1. Household must be a first-time homebuyer;
2. Household cannot have Ownership in any other property;
3. Households must attend an approved Homebuyer Education class;
4. Households must receive Housing Counseling (see §92.254(a)(3));
5. The Household must be owner-occupied for the property for the Period of Affordability;
6. All other requirements in this FTHB Manual must be met.

II. PROPERTY REQUIREMENTS

A. ELIGIBLE PROPERTIES (ALL FUNDS)

Eligible properties are any single-family residence, condominium unit, townhome, or manufactured home that meets FNMA conventional guidelines and is considered real property. The assisted property must be located within the City of El Cajon city limits. The property being acquired must be owner-occupied or vacant at the earlier of: submission of a verbal or written offer to purchase or submission of an application to the City for FTHB Program. See also Property Standards section below.

B. VOLUNTARY ACQUISITION NOTICE (ALL FUNDS)

In order to comply with the Federal Uniform Relocation Act (“URA”) and the California Relocation Assistance and Real Property Acquisition Guidelines (“Guidelines”), the Voluntary Acquisition Notice is available for download on the San Diego Housing Commission website **must:**

1. Be completed and submitted to the Seller/Owner or their Agent prior to or at the time an offer to purchase real property is made whenever FTHB Program(s) are anticipated to be utilized.
2. Verification of delivery to the Owner/Seller or their Agent of the Voluntary Acquisition Notice must be provided to the City with Purchase Offer.

C. SALES PRICE LIMITS

1. HOME and CALHOME Funds

The maximum purchase price (sales price) cannot exceed the Section 203(b) of NAHA for high cost areas in the San Diego County Metropolitan Statistical Area or the current median sales price of a single family home in San Diego County. Per 24 CFR Part 92.254 (a)(2)(iii)(B), the City of El Cajon requested and received a HUD approved limit of \$722,000 for a single family home and \$418,000 for a condominium for the period July 1, 2022-June 30, 2023. Cal-Home funding is subject to the most recent median sales price, by county, posted at the California Association of Realtors website at <https://www.car.org/en/marketdata/data/countysalesactivity>.

NOTE: The City will not fund any loan where a previously accepted Purchase Contract has been amended to increase the sales price in exchange for sales concessions or credit for closing costs, etc.

D. PROPERTY STANDARDS (ALL FUNDS)¹

The property must be free from any defects that pose a danger to the health and safety and/or lead-based paint hazard of occupants prior to the close of escrow. The property must be decent, safe, sanitary, and in food repair. Minimum property standards are found 24 CFR Part 92.251(c)(3) and includes local and state health and safety code. A checklist has been provided in **Appendix D**. Any incipient building code violations must be corrected prior to sale or occupancy. Borrower must submit its own third party inspection report and evidence that any deficiencies have been corrected prior to requesting an inspection from the City of El Cajon. The City of El Cajon must inspect each property to ensure that the property meets HUD requirements.

E. PROPERTY TAX AND INSURANCE CALCULATIONS (ALL FUNDS)

When determining the monthly amount of property taxes, fire and Private Mortgage Insurance (PMI) premiums on all City loans, the following standard factors will be used, unless documentation can be provided to justify actual figures:

1. Property Taxes: 1.2% of the purchase price, adjusted monthly;
2. Hazard Insurance Premiums: this is based on insurance quote (actual) received by the borrower; and
3. PMI or MI: actual amount, adjusted monthly.

III. CITY/AUTHORITY LOAN REQUIREMENTS

A. TRANSACTION TYPE (ALL FUNDS)

Purchase transactions only

B. LOAN TERMS

The maximum homebuyer assistance from the City shall never exceed the limits established by each FTHB program (HOME or Cal-Home). The Individual funding maximums for each FTHB Program are as follows:

The following loan terms shall be used under the *American Dream FTHB Program*:

1. HOME Funds:

- a. Minimum Loan Amount = \$2,000.
- b. Maximum Loan Amount (Single Family Residence, Townhome, or Manufactured Home) = \$150,000 or 22% of the purchase price (whichever is less).
- c. Maximum Loan Amount (Condominiums) = \$100,000 or 22% of the purchase price (whichever is less)
- d. Affordability Period. If the loan is not repaid within the required affordability period, the City of El Cajon will still require annual occupancy certification forms during the loan term.
- e. 30 Year Loan Term
- f. Funds can only be used for homebuyer assistance subject, to the Minimum Housing Ratio, Maximum Housing Ratio, and CLTV of 100%.
- g. No payments until sale, rental, refinance, transfer, conveyance, or non-occupancy of property.
- h. No interest – instead the City shares the equity (refer to Recapture Funds in section below).
- i. Owner-occupancy is required as long as the loan is outstanding. This will be verified on an annual basis.
- j. Net Proceeds and Equity-share will be used to calculate repayment of loan; under no circumstances can the City recapture more than is available from the Net Proceeds of the sale.
- k. The City reserves the right to adjust loan amounts and percentages based on the type and

amount of funds available in all funding sources.

- l. Funds are available on a first-come, first-serve basis.
- m. No City funds can be used for the payment of debt.
- n. Assistance cannot exceed 22% of the sales price.

2. CALHOME Funds:

- a. Minimum Loan Amount = \$5,000.
- b. Maximum Loan Amount (Single Family Residence, Townhome, or Manufactured Home) = \$150,000.
- c. Maximum Loan Amount (Condominiums) = \$100,000
- d. 30 year loan term.
- e. Funds can be used for homebuyer assistance subject, to the Minimum Housing Ratio, Maximum Housing Ratio, and CLTV of 100%.
- f. No payments until sale, rental, refinance, transfer, conveyance, non-occupancy of property, or maturity date.
- g. No interest – instead the City shares the equity (refer to Equity Share Period in section below);
- h. Loan is not assumable.
- i. Net Proceeds and Equity-share will be used to calculate repayment of loan; under no circumstances can the City recapture more than is available from the Net Proceeds of the sale.
- j. The City reserves the right to adjust loan amounts and percentages based on the type and amount of funds available in all funding sources.
- k. Funds are available on a first-come, first-serve basis.
- l. No City funds can be used for the payment of debt.
- m. Assistance cannot exceed 22% of the sales price.
- n. No payments until sale, rental, refinance, transfer, conveyance, the property is no longer owner-occupied, or upon increase of the household income beyond the income limit (120% of AMI) adjusted for family size.
- o. No interest – instead the City shares the equity (refer to Equity Share Period in section below).
- p. Owner-occupancy is required for the Period of Affordability.
- q. Equity-share will be used to calculate repayment of loan.
- r. The City reserves the right to adjust loan amounts and percentages based on the type and amount of funds available in all funding sources.
- s. Funds are limited to the return of funds received upon sale of an assisted property to an Eligible Borrower.
- t. No City funds can be used for the payment of debt.

C. CONTRIBUTIONS/CONCESSIONS (ALL FUNDS)

All contributions made by an Interested Party are allowed for the payment of closing costs, prepaids or property upgrades shall not exceed 3% where the CLTV exceeds 90%; or 6% where the CLTV is between 75.01% and 90% of the purchase price or appraised value, whichever is less. Upgrades shall be completed prior to close of escrow or placed in an escrow account pending completion with all excess proceeds applied as a principal reduction payment to the 1st mortgage balance. Contributions/concessions cannot be for the payment of debt, reserves, or down payment. Seller/builder concessions for use of a preferred

lender are allowed but cannot result in an increase in sales price if the preferred lender is not used.

D. CO-SIGNED, DEFERRED AND SECURED LOANS (ALL FUNDS)

All co-signed, deferred and secured loans shall be included in the determination of Debt-To-Income Ratio unless paid or refinanced by a joint responsible party prior to/or at close of escrow.

E. NON-PURCHASING SPOUSE (ALL FUNDS)

Not allowed. Each spouse must qualify for and go on title to the City FTHB Program.

F. CO-SIGNERS / CO-MORTGAGORS (ALL FUNDS)

Co-signers and Co-mortgagors who do not intend to occupy the property are prohibited.

G. AFFORDABILITY PERIOD (ALL FUNDS)

1. **CALHOME FUNDS:** An Affordability Period is not required.

2. **HOME FUNDS:**

Pursuant to 24 CFR 92.254, all HOME assisted properties will have recorded covenants requiring occupancy affordability restrictions under the American Dream FTHB Program commencing on the date of the recordation of the Deed of Trust. HOME assisted units carry rent and occupancy restrictions for varying lengths of time based on the total HOME Investment per unit as follows: <\$15,000 = 5 years, \$15,000 to \$40,000 = 10 years, > \$40,000 = 15 years, and for new construction is 20 years. Based on the current Maximum Loan Amount, the loan will be subject to an Affordability Period of 5 years. If an exception is granted to increase Maximum Loan Amount, the Affordability Period will change.

H. EQUITY-SHARE VS. INTEREST RATE (ALL FUNDS)

1. **HOME and CALHOME FUNDS (AMERICAN DREAM) EQUITY-SHARE:**

Assistance provided by the City will include provisions for repayment of the principal amount and a share of any equity in lieu of interest (except in the case of default as set forth in the Note). The principal and equity-share (or interest in the case of default) is due and payable upon a variety of conditions or circumstances, the most common one being the sale or transfer of the home. The amount of equity due to the City is based on the percentage of down payment provided at purchase and the equity earned at payoff. Under no circumstances will the City recapture more than is available from the Net Proceeds of the sale if the property is owner-occupied at the time of sale.

I. FORGIVENESS OF EQUITY SHARE (ALL FUNDS)

1. **CALHOME FUNDS:**

The equity-share period expires after thirtieth (30) anniversary date of execution of the Promissory Note and/or Loan Documents of an assisted household. The principal balance will remain due and payable.

2. **HOME FUNDS:**

If the borrower continuously occupies the assisted property during the affordability period and submits an annual occupancy certification, the equity-share will be forgiven. However, if the loan is repaid prior to the affordability period, the principal balance and any applicable equity share will be recaptured and be due and payable. There is no proration of the equity-shared amount owed.

J. EQUITY-SHARE PERIOD (HOME)

The period in which the City shall share Net Proceeds and/or Net Appreciation if the property is sold, rented, refinanced, conveyed, transferred or no longer owner-occupied (except with the express written consent of the City). The Equity Share Period begins on the date the Deed of Trust was recorded for the loan(s). The Equity Share Period and equity due to the City varies depending on the original loan amount (Refer to Recapture Funds definitions). Please refer to **Appendix C**.

K. MAXIMUM COMBINED LOAN-TO-VALUE (CLTV) (ALL FUNDS)

The maximum CLTV (combined loan-to-value) of all approved financing, including the City and new 1st Trust Deed loans shall not exceed 100% of the purchase price or appraised value, whichever is less.

IV. AFFORDABLE HOUSING COST AND RATIOS

A. MINIMUM HOUSING RATIO (ALL FUNDS)

The FTHB Program financing is provided to fund the gap needed to ensure that the cost of housing is affordable.

1. **“FRONT END RATIO” - AMERICAN DREAM FTHB PROGRAM:** the Housing Ratio of an assisted property cannot be less than 30% and no greater than 45% of the Annual Income or Gross Income of the Household:
 - a. If the Housing Cost Ratio (with HOME and/or CALHOME assistance) is less than 30% of the household Annual Income or Gross Income, then HOME or CALHOME assistance shall be reduced and the first mortgage financing shall be increased so that the Minimum Housing Ratio of 30% is met.
2. **“BACK END RATIO” MAXIMUM DEBT-TO-INCOME RATIO (ALL FUNDS)**

The household total debt-to-income ratio cannot exceed 45% of the monthly Annual Income or Gross Income.

V. FIRST MORTGAGE TERMS

A. FIRST TRUST DEED LOAN TERMS (ALL FUNDS)

1. **First Mortgage Product type:** Fixed rate 30-year fully amortizing loans only. Balloon, interest-only, adjustable rate, negative amortizing loans, temporary buy-downs, or loans with pre-payment penalties are not allowed. First mortgage shall not exceed the difference between the purchase price or appraised value (whichever is less), the 2% Borrower required investment, and the homebuyer assistance portion of the City funds.
2. **Additional Liens:** Liens, other than the approved First Trust Deed and the City loan(s), are **not** allowed.
3. **Impounds:** The first mortgage loan is required to utilize an impound account (for payment of property taxes and hazard insurance).
4. **Lender Fees:** Maximum fees to the Buyer of 1.25% origination, discount points for below par pricing only and \$350 processing only. No other Broker or Admin type fees allowed. Other 3rd party fees that are reasonable and customary are allowable.
5. **FHA Loans:** should not be used where City funding of at least 20% is provided.
6. **HOA Certification:** Must meet First Mortgage guidelines

B. LENDER/BROKER FEES FOR CITY LOANS (ALL FUNDS)

No City or Lender fees will be charged for the origination of an American Dream FTHB Program loan.

VI. QUALIFICATION PROCESS

A. PRE-QUALIFICATION (ALL FUNDS)

Most borrowers are working with a certified lender partner who understand the City's program requirements. Borrowers are encouraged to work with their certified lenders. If a certified lender would

like to ask the Program Administrator for guidance, the following items must be submitted for review. Any pre-qualification request must include at a minimum the following (Refer to **APPENDIX B**):

1. A 1003 form;
2. Statement of Information;
3. Credit or DU findings;
4. Full income and asset documentation;
5. 2-months bank statements;
6. Approved homebuyer education certificate;
7. Evidence that homebuyer (s) received homebuyer counseling;
8. Advance Loan Disclosure(s);
9. Signed 4506T-Form; and
10. Copy of applicant(s) current identification.

Upon review and approval of the documentation submitted, the City will issue a Pre-qualification Letter to the Participating Lender and Borrower that may be submitted with an offer to purchase property. Pre-qualifications are good for 90-days from the earliest document dated in the pre-qualification package.

B. LOAN COMMITMENT (ALL FUNDS)

1. A Tentative Loan Commitment letter will be issued with either prior-to-doc (PTD) or prior-to-close (PTC) conditions on a first-come, first-serve basis to households who have been Pre-qualified by the City.
2. The Tentative Loan Commitment has an expiration of 45 days.
3. After 45 days, the Loan Commitment funds are disencumbered and made available to the next qualified applicant.
4. A Tentative Loan Commitment cannot be issued to pre-reserve funds without a property.

C. HOW TO APPLY (ALL FUNDS)

The City of El Cajon has partnered with the San Diego Housing Commission (SDHC) to administer the First Time Homebuyer Program. For more information please visit SDHC' First Time Homebuyer page.

<https://www.sdhc.org/housing-opportunities/first-time-homebuyers/>

VII. PARTICIPATING LENDERS

A. PARTICIPATING LENDER (ALL FUNDS)

The City of El Cajon has a contract with the San Diego Housing Commission (SDHC), to act as the City of El Cajon's First Time Homebuyer Program Administrator. Only those Lenders who have been certified and are in good standing will be allowed to submit an application packet to the SDHC. The SDHC shall submit all files to the City for final review and approval. Please visit the SDHC website for a list of certified lenders at this link:

<https://www.sdhc.org/housing-opportunities/first-time-homebuyers/>

Participating lenders shall read the City of El Cajon's First-Time Homebuyer Program Manual before processing an application for assistance for applicants who are seeking to access this Program. .

B. REFERRALS/RECOMMENDATIONS

Requests from the public to provide recommendations to Participating Lender(s) who have submitted and/or closed previous transactions with the City will not be granted. The applicant is responsible for selecting their own lender.

VIII. HOMEBUYER EDUCATION PLAN

A. HOMEBUYER EDUCATION CERTIFICATE (ALL FUNDS)

1. Prior to funding a FTHB Program loan, all applicants who will be on title are required to attend and provide a copy of a homebuyer education certificate received from an 8-hour HUD-approved education class completed through an approved Homebuyer Education Provider. The homebuyer education class must include the following topics:
 - a. Preparing for homeownership;
 - b. Available financing and credit analysis;
 - c. The loan closing process;
 - d. Homebuyer responsibilities;
 - e. Home maintenance; and
 - f. Loan Servicing.
2. Phone and Internet certificates are not allowed.
3. An approved Homebuyer Education Certificate must be issued within the last 6 months.

B. APPROVED HOMEBUYER EDUCATION PROVIDERS (ALL FUNDS)

Each applicant must attend Homebuyer education course. Homebuyer Education Course Criteria must be met prior to funding of a FTHB Program loan. A list of HUD approved providers can be found here:

<https://www.sdhc.org/wp-content/uploads/2022/Homebuyer-Education-Providers-List.pdf>

C. HOMEBUYER COUNSELING

Effective August 23, 2013, any homebuyer that enters into a written agreement for HOME assistance (e.g., down payment or closing cost assistance) or enters into a sales contract for the purchase of a HOME-assisted unit must receive housing counseling. See §92.254(a)(3). Please refer to the San Diego Housing Commission website for a list of approved Housing Counseling providers.

IX. OTHER REQUIREMENTS/CONDITIONS

A. PRIOR CITY ASSISTANCE (ALL FUNDS)

If a Household member applying for FTHB assistance has been previously assisted by the City and if the City funds were lost due to short-sale, default or foreclosure, that household will not be eligible for assistance under the First-time Homebuyer Program.

B. REQUIREMENTS NOT ADDRESSED-UNDERWRITING CRITERIA (ALL FUNDS)

The City reserves the right to consider all factors in the review of a request for assistance and adjust program eligibility criteria accordingly. Such criteria may include, but is not limited to: payment shock, job tenure, accumulation of assets, credit, ability to pay, risk to public funds, housing and debt-to- income ratios, market stability or decline, etc. Exceptions to non-regulatory program requirements may be requested and granted at the sole discretion of the City where multiple compensating factors are present.

C. CONFLICT OF INTEREST (CITY EMPLOYEES)

No employee or agent of the City, or any other person who exercises policy or decision-making responsibilities (including members of a loan committee or officers, employees, and agents of the loan committee) in connection with the implementation of City programs shall directly or indirectly be eligible for City programs. Exceptions to this policy can be made only after disclosure and formal approval by the City Manager or Executive Director, depending on funding source.

First-Time Homebuyer Program Manual

SECTION 4 - FEESCHEDULE

	AMERICAN DREAM FT HB PROGRAM (HOME FUNDS)	AMERICAN DREAM FT HB PROGRAM (CALHOME FUNDS)
Lender Participation Fee – Initial	—————→	—————→
Lender Renewal Fee (billed annually)	←—————	—————→
Application Fees	No charge	No charge
Processing	No charge	No charge
Underwriting Fee	No charge	No charge
Document Preparation Fees	No charge	No charge
Wire Fees	No charge	No charge
Wire re-issuance (if original wire is returned)	No charge	No charge
Subordination Fees (per loan)	No charge	\$200.00
Subordination Re-Review Fee (after a Subordination has been issued)	No charge	\$50.00
Beneficiary's Statement Fee	No charge	No charge
Demand Fee	No charge	No charge
Reconveyance Fee	\$45.00	\$45.00
Loan Modification Fee (if approved by City/Authority)	\$10	\$10
Loan Assumption Fee	Not allowed	Not allowed
Verification of Mortgage	\$30.00	\$30.00
Document Copies	City fee schedule	City fee schedule
Postage or Overnight Mail	As applicable	As applicable

First-Time Homebuyer Program Manual

SECTION 5 - PROGRAM COMPARISON

	AMERICAN DREAM FTHB PROGRAM (HOME FUNDS)	AMERICAN DREAM FTHB PROGRAM (CALHOME FUNDS)
Max Income	80% AMI	80% AMI
Max Purchase Price	HUD approved Limit \$722,000 single family home and \$418,000 for a Condo	Cal-Home Approved Limit
Borrower Minimum Contribution	2% of Purchase Price	2% of Purchase Price
Borrower Reserve Requirement (Liquid Assets)	1 gross paycheck	1 gross paycheck
Min City Loan for Down Payment (multiple sources)	\$2,000	\$2,000
Max City Loan for Homebuyer Assistance sources)	\$100,000/\$150,000 Condo/Single Family Home	\$60,000
Housing Ratio (minimum) "Front-End Ratio" /Maximum Front End Ratio	30/45	30/45
Debt To Income Ratio"Back- End Ratio"	45%	45%
Max CLTV	100%	100%
Max Lender Origination Points (fees)	1.25%	1.25%
Max Lender Discount Points (fees)	For below par pricing only	For below par pricing only
Broker and/or Admin Fees	Non-allowable (Unless for standard 3 rd party fees)	Non-allowable (Unless for standard 3 rd party fees)
3rd Party Fees	Reasonable and customary	Reasonable and customary
City/Authority Fees (acquisition)	Non-allowable	Non-allowable
Pre-qualification review	7 to 14 days	7 to 14 days
Review for Tentative Loan Commitment	3 to 5 days	3 to 5 days
Issuance of Loan Documents	48 hours after receipt of PTD conditions	48 hours after receipt of PTD conditions
Wiring of Funds	72 hours after receipt of all outstanding conditions	72 hours after receipt of all outstanding conditions

Appendices

APPENDIX A

ANNUAL INCOME CALCULATION WORKSHEET

Effective July 1, 2022, The City of El Caion is using a Subrecipient to administer the Homebuyer Program. Please refer to the San Diego Housing Commission website for the most current loan submission and application requirements. Note: Each program has a different set up income calculations.

HOME Funded: The City has adopted the Part 5 (24 CFR Part 5.609) method to calculate annual household income. Please refer to this document when calculating household income.

[Technical Guide for Determining Income and Allowances for the HOME Program - HUD Exchange](#)

Website: <https://www.sdhc.org/housing-opportunities/first-time-homebuyers/>

Contact: fthb@sdhc.org

APPENDIX B
LOAN SUBMISSION CHECKLIST & STACKING ORDER

Effective July 1, 2022, The City of El Caion is using a Subrecipient to administer the Homebuyer Program. Please refer to the San Diego Housing Commission website for the most current loan submission and application requirements.

Website: <https://www.sdhc.org/housing-opportunities/first-time-homebuyers/>

Contact: fthb@sdhc.org

APPENDIX C

American Dream First-Time Homebuyer Program Shared Equity Example¹

NOTE: The maximum equity to be shared by the City shall not exceed the amount equal to the percentage of the value of the residence financed by the CalHome and HOME Program loan(s). That is, if the loan equals twenty percent (20%) of the **Original Purchase Price** of the residence, a maximum of twenty percent (20%) of the **Net Appreciation** may be charged by the City.

The following *example* assumes the following: (a) **Current Sales Price** or **Current Appraised Value** (as may be the case of a refinance), in the example, of \$260,000, (b) **Original Purchase Price (OPP)** of \$180,000, (c) initial **Gross Appreciation** of \$80,000 (the Current Sales Price of \$260,000 minus the Original Purchase Price of \$180,000), (d) \$26,000 in closing costs (estimated at 10% of the **Current Sales Price**), (e) initial **Net Appreciation** of \$54,000, and an equity share schedule based on the percentage of CalHome assistance of \$30,150 (16.75% of OPP) and HOME/ADDI assistance of \$14,850 + \$5,000 (11.03% of (OPP)) on an Initial Purchase Price of \$180,000. **The table is for the purpose of illustration only and will apply to any form of default of the City administered Programs. Actual sales price and net sales price will vary. The principal amount of the loans remains due and is in addition to any equity-share that may be owed to the City.**

# Months After Date of Agreement	Current Sales Price or Current Appraised Value (a)	Original Purchase Price (b)	Gross Appreciation (c) (difference of a-b)	Seller's Closing Costs (d) (10% of Current Sales Price)	Net Appreciation (e) (c-d)	Seller's Equity Share of Net Appreciation (f) (72.22% of [e])	CalHome & City Equity Share of Net Appreciation (g) (27.78% of [e])	Principal Amount Due to City (h)	Total Amount due to City (g+h)
0-180	\$260,000	\$180,000	\$80,000	\$26,000	\$54,000	\$38,998.80	\$15,001.20	\$50,000	\$65,001.20
181 and thereafter	\$285,000	\$180,000	\$105,000	\$28,500	\$94,500	\$94,500.00	\$0	\$50,000	\$50,000.00

In this *example*, the finance charge/equity-share varies between \$0² and \$15,001.20 through year fifteen (15). Your amount will differ, depending upon gross sales price, net sales price, the amount of equity, the number of months after the date of agreement that the sale, transfer, rental or refinance occurs, etc.

In the event that no Net Appreciation exists at the time of transfer or sale, the CalHome and HOME funds will still be due and payable. In the event that a negative Net Appreciation situation exists, and the full amount of the HOME funds are not available to be recaptured, the amount of HOME funds required to be repaid to the City, at its sole discretion will be as set forth in 24 CFR 92.254(a)(ii)(A)(3). The formulas are as follows:

$$\frac{\text{HOME Investment}}{\text{HOME Investment} + \text{Homeowner Investment}} \times \text{Net Proceeds} = \text{HOME amount to be recaptured}$$

$$\frac{\text{Homeowner Investment}}{\text{HOME Investment} + \text{Homeowner Investment}} \times \text{Net Proceeds} = \text{Amount to Homeowner}$$

Provided that Borrower is not in default under the terms of the Note, the Note interest/equity share shall be forgiven in its entirety and interest in the equity of the property shall be relinquished by the City fifteen (15) years from the date of the execution of the Note, as provided in the loan documents.

"CalHome Funds" or "CalHome Loan" is defined as funds received pursuant to the CalHome Program administered through the California Department of Housing and Community Development.

"Current Sales Price" is defined as the price obtained for the property in the open market and shall include anything of value given for consideration (e.g., cash, personal property, real property, etc.)

"Current Appraised Value" is defined as the value of the property obtained from an independent appraiser licensed by the State of California. The City reserves the right to obtain an independent appraisal.

"Direct HOME Subsidy" is the amount of HOME assistance; including down-payment, closing costs or any other HOME assistance provided directly to the homebuyer/homeowner.

"Documented Capital Improvements" is defined by the IRS as Improvements (not repairs) in IRS publication 530 (or equivalent). All documentation necessary to establish said improvements must be submitted to the City for review. Please contact the City of El Cajon Building Division to ensure that any Documented Capital Improvement meets current code and permits are obtained when required.

"Effective Period" or "Period of Affordability" is defined as the period commencing on the date of this Agreement and ending on the earlier of the repayment of the loan from the City or thirty (30) years after recordation of the Deed of Trust.

"Equity Share Period" is defined as the fifteen (15) year period after recordation of the Deed of Trust in which the City shall share Net Appreciation if the property is sold, rented, refinanced, conveyed or transferred (except as provided in the Note), without the express written consent of the City.

"Gross Appreciation" is calculated by subtracting the Original Sales Price from the Current Sales Price or Current Appraised Value.

"HOME Funds" or "HOME Investment" is defined as funds received pursuant to the HOME Investment Partnership Program.

"Homeowner investment" is defined as the amount of Seller's Cash Contribution and Documented Capital Improvements made by the owner since purchase.

"Net Appreciation" is calculated by subtracting the Seller's Applicable Closing Costs, Seller's Cash Contribution in the Original Purchase Price transaction, and the documented value of capital improvements from the Gross Appreciation amount.

"Net Proceeds" is defined as the sale prices minus superior loan repayment and any closing costs. Under no circumstances can the City (American Dream FTHB Program) recapture more than is available from the Net Proceeds of the sale.

"Original Purchase Price" is defined as the amount paid for the assisted property, plus any financed upgrades or closing costs as listed on the Final HUD-1 Settlement Statement.

"Seller's Cash Contribution" is defined as cash deposited by the Borrower plus any gift funds approved by the City (less any refund) in the Original Purchase Price transaction. Seller's Cash Contribution does not include any credit for closing costs, rebate financing, concessions, etc., provided by any party other than borrower.

"Seller's Applicable Closing Costs" include those costs of broker's commissions' escrow fees, title costs and fees, recording fees, etc.

¹ Upon request of an assisted household, the City may elect to forgive all or a portion of the Equity-Share upon sale, if the assisted property is sold to another low-income household who utilizes HOME or CalHome funds for the purchase of the property. City review and approval will be required.

² Equity-share would equal \$0 in the event the property is sold to another qualified family who applies for CalHome/HOME assistance and the City elects to forgive the entire equity-share portion due to the City.

APPENDIX D

PROPERTY STANDARDS

The Acceptability Criteria listed with each section sets the **minimum** standards that must be met in all residential units. The Interpretation of Acceptability Criteria listed after those criteria are the standards that HUD feels should also be met if the property is to have long-term utility and contribute to the livability of the unit.

PROPERTY STANDARDS ACCEPTABLE CRITERIA AND INTERPRETATIONS

A. SITE AND NEIGHBORHOOD – The site and neighborhood shall be reasonably free from disturbing noises and reverberations and other hazards to the health, safety and general welfare of the occupants.

ACCEPTABILITY CRITERIA – The site and neighborhood shall not be subject to serious adverse environmental conditions, natural or manmade, such as:

1. Dangerous walks, steps or instability;
2. Flooding, poor drainage, septic tank back-ups, sewer hazards or mudslides;
3. Abnormal air pollution, smoke or dust;
4. Excessive noise, vibrations or vehicular traffic;
5. Excessive accumulations of trash;
6. Vermin or rodent infestation;
7. Fire hazards;

Generally, approval of an area under a CDBG, and/or HOME will be sufficient to meet these criteria.

INTERPRETATION OF ACCEPTABILITY CRITERIA

1. All steps and walks should be level, free from dangerous cracks, crumbling or breaks, tripping hazards, broken & missing materials, etc., and be provided with sufficient pitch to prevent water accumulation.
2. The lot should have positive drainage away from the dwelling and/or dwelling unit to prevent standing water at the foundation.
3. No additions.
4. No additions.
5. Any materials, which accumulate on a property in the neighborhood, should be removed or screened and arranged in a manner that does not detract from the general appearance of the neighborhood.
6. No additions – see #5 above – removal of trash, garbage, debris, etc., will significantly reduce infestation problems.
7. The site should be free from fire hazards, such as the storage of highly flammable materials, etc.

B. ACCESS – The dwelling/dwelling unit shall have adequate access for the occupants.

ACCEPTABILITY CRITERIA

1. The dwelling/dwelling unit shall be usable and capable of being maintained without unauthorized use of other private properties.
2. The building shall provide an alternative means of egress in case of fire, i.e., fire stairs, egress through windows, etc.

INTERPRETATION OF ACCEPTABILITY CRITERIA

1. The property should be adjacent to an access street or road.
2. No additions.
 - a. **STRUCTURE AND MATERIALS** – The dwelling/dwelling unit shall be structurally sound so as not to pose any threat to the health and safety of the occupants and so as to protect the occupants from the environment.

ACCEPTABILITY CRITERIA

1. Ceilings, walls (interior and exterior), floors, roofs, porches, etc., shall not have any serious defects such as severe bulging or leaning, large holes, loose surface materials, severe buckling or noticeable movement under walking stress, missing parts, or other serious damage.
2. The roof structure shall be firm and the roof shall be weather tight.
3. The exterior wall structure and the exterior and interior wall surfaces shall not have any serious defects such as serious leaning, buckling, sagging, cracks or holes, loose materials, loose siding or other serious damage.
4. The conditions and equipment of interior and exterior stairways, halls, porches, walkways, etc., shall be such as not to present a danger of tripping and/or falling.
5. Elevators shall be maintained in a safe operating condition.

6. In the case of a mobile home, the home shall be securely anchored by a tie-down device which distributes and transfers loads imposed by the unit to appropriate ground anchors so as to resist wind, overturning and sliding.

INTERPRETATION OF ACCEPTABILITY CRITERIA

1. Where crawl spaces or basements exist, all first-floor structural wood members, including floor joists, plates, piers and pilings should be inspected for cracked, broken, rotten or otherwise damaged conditions. Damaged members should be repaired and/or replaced as required.
2. The exterior/interior walls should be weather-tight in a manner that prevents heat loss in the winter (cooling loss in the summer) as much as possible. This includes the repainting and/or installations of siding to protect the exterior surface from the elements. The interior walls should be repaired/replaced as required to facilitate this criterion.
3. The roof structure should be firm in that all roof-framing members should be free from cracks and rot. The roof sheathing should be solid and free from sagging, buckling, heaving, etc.
If the roof appears to be well worn, it should be replaced. If possible, the best replacement will include stripping all the way down to the sheathing and replacing. If costs dictate, a second layer of roofing can be installed over the first layer. If there are already two or more layers of roofing materials, the roof should be stripped down to the sheathing, and if necessary, replace the sheathing and then install the new roof covering.
4. Concrete block or brick foundations, piers and pilings, should be inspected for loose mortar joints. All empty or cracked mortar joints should be tuck-pointed in an acceptable manner to match, as closely as possible, the rest of the structure. The joints should be recessed.
The chimney should be inspected for loose mortar joints and proper height. All empty or cracked mortar joints should be tuck-pointed in an acceptable manner to match, as closely as possible, the rest of the chimney. The joints should be recessed.
5. All exterior steps, walkways and porches should be free of tripping hazards. Crumbling, cracked, broken, missing and/or uneven conditions should be repaired and/or replaced as necessary.
The condition of all interior stairways should be such as not to present a danger of tripping or falling, see above. Handrails should be properly installed on all stairways.
6. No additions.
7. No additions.
8. The property should be inspected by a qualified extermination firm, and if necessary treated for vermin, rodents, termites and other wood-burrowing insects.
9. All outbuildings such as garages, storage sheds, etc., should be repaired to a usable condition or removed from the property.
10. The general appearance of the outside of the structure and the lot, after rehabilitation, should be such that it makes a significant contribution to the general appearance of the neighborhood.
11. Installation of gutters and down spouts is strongly recommended in order to divert water away from foundations.

- E. **LEAD-BASED PAINT** – The dwelling unit shall be in compliance with the HUD Lead-Based Paint regulations.

ACCEPTABILITY CRITERIA

The dwelling/dwelling unit shall comply with HUD Lead-Based Paint regulations at 24 CFR Part 35, issued pursuant to the Lead-Based Paint Poisoning Prevention Act, 42 USC 4801.

The owner shall provide a certification that the dwelling is in compliance with such HUD regulations.

If the property was constructed prior to 1978, any in-place tenant/family shall be furnished a notice and pamphlet as required by the Lead-Based Paint regulations. Such notice shall inform them of the procedures regarding the hazards of lead-based paint poisoning, the symptoms and treatment of lead poisoning and the precautions to be taken against lead poisoning.

INTERPRETATION OF ACCEPTABILITY CRITERIA

1. Compliance with the Lead-Based Paint regulations requires the following actions:
 - a. Notification to all occupants that the property may contain lead-based paint, if constructed prior to 1978, and the hazards, symptoms and treatment of such poisoning, including information on testing for elevated blood levels (EBL) for children.
 - b. All contracts shall include language prohibiting the use of lead-based paint.
 - c. The inspection for and elimination of “immediate hazards”, which are defined as chipping, peeling, flaking, cracking or other defects in previously painted surfaces.
2. No additions.
3. No additions.

F. WATER SUPPLY

ACCEPTABLE CRITERIA

1. The dwelling/dwelling unit shall be served by an approved public or private sanitary water supply.

INTERPRETATION OF ACCEPTABILITY CRITERIA

1. The dwelling unit should have a water heater of sufficient capacity to serve present and anticipated future residents. Further, they should not be allowed in bathrooms, bedrooms, sleeping rooms or closets.
2. Hot and cold water should be supplied to all kitchens, baths and laundry facilities.
3. All water lines should be protected from freezing.

G. INTERIOR AIR QUALITY – The dwelling/dwelling unit should be free of pollutants in the air at levels that threaten the health of the occupants.

ACCEPTABILITY CRITERIA

1. The dwelling/dwelling unit shall be free from dangerous levels of air pollution from carbon monoxide, sewer gas, fuel gas, dust and other harmful air pollutants.
2. Air circulation shall be adequate throughout the dwelling/dwelling unit.
3. Bathroom areas shall have at least 1 openable window or other adequate exhaust ventilation.

INTERPRETATION OF ACCEPTABILITY CRITERIA

1. All gas or oil fired appliances should have proper venting to the outside of the dwelling/dwelling unit for combustion gases.
2. All windows designed to open should be capable of being easily opened, provided with the proper window hardware to make them both operable and openable, and provided with screens properly installed and maintained.
3. Kitchen areas should also have proper ventilation.

H. ILLUMINATION AND ELECTRICITY – Each room shall have adequate natural or artificial illumination to permit normal indoor activities and to support the health and safety of the occupants. Sufficient electrical sources shall be provided to permit use of essential electrical appliances while assuring safety from fire.

ACCEPTABILITY CRITERIA

1. Living and sleeping rooms shall include at least one window.
2. A ceiling or wall-type light fixture shall be present and working in the bathroom and kitchen areas.
3. At least two electric outlets, one of which may be an overhead light, shall be present and operable in the living area, kitchen and each bedroom area.

INTERPRETATION OF ACCEPTABILITY CRITERIA

1. No additions.
2. A ceiling or wall light fixture, operated by a wall switch should be present in the kitchen, bath and hallways.
3. All outlets installed as a result of the rehabilitation work should be of the grounded type.
4. Each unit should be provided with at least 100 amp service and a sufficient number of circuits to service present and anticipated future use of the
 - a. There should be separate circuits for any air conditioners (including window type), furnaces, electric dryers, electric stoves, microwaves and any other special appliances.
 - b. There should be two separate 20 amp circuits (minimum) for the heavy workload area in the kitchen, and all kitchens should be wired to the National Electrical Code (NEC), based on the size and layout of each individual kitchen.
 - c. With the exception of kitchens (see b. above), all other rooms should be assessed relative to their use of electricity and additional outlets and/or switches installed based on usage and safety factors.
 - d. Electrical outlets in the bathrooms and kitchens should have an overload switch.
5. Connection at the main service to the unit should be in an acceptable manner.
 - a. Placement of the connection should be out of the reach of children.
 - b. Proper anchoring should be used.
6. All defective exposed “knob & tube” wiring should be removed. It is recommended that any additional exposed “knob & tube” also be removed and replaced in conduit to prevent splicing and/or unsafe usage.
7. All hazardous conditions such as broken switches/outlets, missing covers, bare wiring, fixtures not properly installed/anchored should be repaired/replaced in an acceptable manner. It is recommended that all “pendant” type fixtures be replaced with an appropriate ceiling/wall fixture.
8. Even though a room may meet acceptability criteria #3 above, if the inspection reveals the use of octopus plugs, adapters, extension/zip cords and/or other unsafe practices, additional outlets should be installed.

I. THERMAL ENVIRONMENT – The dwelling/dwelling unit shall have and be capable of maintaining a thermal environment healthy for the human body.

ACCEPTABILITY CRITERIA

1. The dwelling/dwelling unit shall contain safe heating and cooling facilities which are in proper operating condition and can provide adequate heat and/or cooling to each room in the dwelling/dwelling unit appropriate for the climate to insure a healthy living environment.
2. Unvented room heaters that burn gas, oil or kerosene are unacceptable.

INTERPRETATION OF ACCEPTABILITY CRITERIA

1. All parts of the venting system for central heating/cooling units should be in proper working condition. For example:
 - a. Vent pipes should be free of rust and be properly maintained.
 - b. Where vent pipes are connected to a masonry chimney, that chimney should be properly maintained so that all mortar joints are tightly sealed.
2. No additions.
3. The attic should be insulated to a rating of R-30 with acceptable insulate material. Where cellulose is used, it should be tested for fire protection. Cellulose bags should be labeled with acceptable ratings derived from flame-spread tests.
4. Weather stripping should be applied as needed around all doors and windows.
5. Storm windows and doors should be installed whenever possible.
6. Any inside walls that are on an exterior wall, if opened down to the studs during the course of the rehabilitation, should be fully insulated with an acceptable insulate material.
7. All joints in the building envelope should be caulked/sealed. All brittle or loose caulking should be replaced.
8. Supply and return heating/air-conditioning ducts should be insulated whenever they run through unheated areas/spaces.
9. It is strongly recommended that whenever space heaters and/or floor furnaces are used, they be replaced with a properly installed more efficient central heating/cooling system.

J. SANITARY FACILITIES – The dwelling/dwelling unit shall include its own sanitary facilities which are in proper operating condition, can be used in privacy, and are adequate for personal cleanliness and the disposal of human waste.

ACCEPTABILITY CRITERIA

1. A flush toilet in a separate, private room; a fixed basin with hot and cold running water; and a bathtub and/or shower with hot and cold running water, shall be present in the dwelling/dwelling unit, and shall be fully operational.
2. These facilities shall utilize an approved public or private disposal system.

INTERPRETATION OF ACCEPTABILITY CRITERIA

1. The toilet, basin, and tub or shower should all be located in the same room, if at all possible.
2. Where a public sewage system is not used, documentation in the file should show where the appropriate health agency has approved the disposal system.

K. SPACE AND SECURITY – The dwelling/dwelling unit shall afford the family adequate space and security.

ACCEPTABILITY CRITERIA

1. A living room, kitchen area, and bathroom shall all be present.
2. The dwelling/dwelling unit shall contain at least one sleeping or living/sleeping room of appropriate size for each two persons.
3. Exterior doors and windows accessible from outside the unit shall be lockable.
4. Each dwelling/dwelling unit should have smoke detectors. Where bedrooms are located on more than one floor of a structure, smoke detectors should be installed on each floor. It is recommended that all smoke detectors be U.L. approved and be hard-wired. U.L. approved battery type or a combination electric/battery type may also be used.

INTERPRETATION OF ACCEPTABILITY CRITERIA

1. No additions.
2. No additions.
3. No additions.
4. No additions.

L. FOOD PREPARATION AND REFUSE DISPOSAL- The dwelling/dwelling unit shall contain suitable space and equipment to store, prepare and serve foods in a sanitary manner. There shall be adequate facilities and services for the sanitary disposal of food waste and refuse, including facilities for temporary storage where necessary.

ACCEPTABLE CRITERIA

1. The unit shall contain the following equipment in operating condition: 1) cooking stove or range, 2) refrigerator or appropriate size for the unit supplied by either the owner or the tenant/family, and 3) kitchen sink with hot and cold running water.
2. The sink shall drain into an approved public or private system.
3. Adequate space for the storage, preparation and serving of food shall be provided.
4. There shall be adequate facilities and services for the sanitary disposal of food waste and refuse, including facilities for temporary storage where necessary (i.e. garbage cans).

INTERPRETATION OF ACCEPTABILITY CRITERIA

1. No additions.
2. No additions.
3. Food storage space should be in the form of cabinets and/or pantry type storage. Food preparation space should be in the form of counters or other horizontal workspace.
4. No additions.

M. SANITARY CONDITION – The unit and its equipment shall be in sanitary condition.

ACCEPTABILITY CRITERIA

1. The unit and its equipment shall be free of vermin and rodent infestation.

INTERPRETATION OF ACCEPTABILITY CRITERIA

1. No additions.