

Redevelopment Agency of the City of Corona

RULES, POLICIES AND PROCEDURES



HOME OWNER ASSISTANCE PROGRAM "HOAP NOW I"



September 1, 2010

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I. INTRODUCTION

Increasing home ownership rates for moderate-income families and minimizing the negative impact of the high number of foreclosures is a priority for the City of Corona ("City") and the Redevelopment Agency of the City of Corona ("Agency"). To that end, the City and Agency desire to reinstate the Home Owner Assistance Program ("HOAP Now") to assist moderate income households in the purchase of their first home. The Agency will be administering the HOAP Now program. The program will be in compliance with California Redevelopment Law as the Agency will be utilizing Redevelopment Tax Increment Set Aside Funds ("Low Mod Funds") to provide first time home buyer assistance.

The City's previous first time homebuyer program provided assistance to individual homebuyers on a first-come, first serve basis. Once applicants were approved, they would locate an affordable home within City limits to purchase. In the past, market conditions, including the escalation in housing prices, resulted in the Agency's failure to expend program allocated funds since the escalation in housing made it extremely difficult for program applicants to locate affordable and eligible housing. Since real estate dynamics have changed and many homes are now within affordable price ranges, the City and Agency have decided to reinstate HOAP Now in an effort to increase the level of home ownership within the City.

HOAP Now provides financial assistance to eligible first time homebuyers to purchase a home anywhere within City limits. More specifically, the Agency endeavors to target those areas that have a high incidence of foreclosed properties in order to address the potential problems associated with those properties and the blighting effect of foreclosures on the community.

II. PROGRAM GOALS

HOAP Now is designed to provide down payment assistance to help low to moderate-income households purchase their first home. HOAP Now has the following goals:

- Reduce the number of vacant foreclosure properties within the City.
- Increase homeownership opportunities within the City.
- Provide working individuals and families with the opportunity to become homeowners.
- Improve the condition of neighborhoods and housing through pride of ownership.
- Increase the number of moderate-income owner-occupied households.
- Facilitate the resale of existing housing stock.

III. PROGRAM SUMMARY

A. Purpose

This document describes the Rules, Policies and Procedures for implementation of HOAP Now also identified as HOAP Now I. The information is intended to explain HOAP Now to interested parties, particularly Participating Lenders that assist low to moderate-income homebuyers (80% to 120% of Area Median Income) interested in purchasing their first home.

B. Fair Housing Policy

The Agency will not discriminate against any potential homebuyer under HOAP Now on the basis of age, ancestry, color, creed, physical or mental disability or handicap, marital or familial status, medical condition, national origin, race, religion, gender or sexual orientation. HOAP Now will be conducted and administered in conformity with Title VI of the Civil Rights Act of 1964 and the Fair Housing Act and implementing regulations. In addition, the Agency will ensure that all affordable housing offered for-sale through HOAP Now is affirmatively marketed and that actions are taken to overcome the effects of any impediments to fair housing choice.

C. Outreach And Marketing

The Agency will actively market HOAP Now and provide information to the public as needed to encourage participation. The marketing and outreach efforts to potential homebuyers shall include, but are not limited to, the following:

- Public notice;
- Press release;
- Advertisements in local newspapers, radio stations, and local television;
- Community meetings, homebuyer fairs and seminars;
- Information about HOAP Now on the City's website; and
- Distribution of information to names and parties on the City's homebuyer interest list.

The following information will be provided:

- Purpose of HOAP Now;
- General description of HOAP Now;
- Terms of the financial assistance;
- Eligibility criteria; and
- Income limits.

IV. PROPERTY REQUIREMENTS

This section describes the requirements pertaining to properties eligible for purchase through HOAP Now.

A. Location

The Agency will only consider properties within the incorporated limits of the City of Corona. A property with a Corona zip code (92879, 92880, 92881, 92882, and 92883) does not guarantee that the home is within the incorporated limits of Corona. Applicants and their real estate agent should consult any available maps (Chamber of Commerce, Thomas Bros., or Riverside County website <http://www3.tlma.co.riverside.ca.us/pa/rclis/index.html>) to determine if the property location is within the City of Corona. The Agency will give preference to properties being acquired that are bank owned or have been foreclosed.

B. Eligible Properties

1. Eligible properties for purchase under HOAP Now include single family (one unit) attached or detached dwellings, town homes or condominiums, or manufactured

homes attached to permanent foundations. Mobile home properties are ineligible for purchase under HOAP Now.

2. Homes used as rental properties are not eligible properties for purchase through HOAP Now unless the tenant occupying the property is also the purchaser of the property or the rental property has been vacant for a minimum of 3 months prior to the acceptance of an offer to purchase.

C. Condition of Eligible Property

1. Eligible properties for purchase must comply with all applicable Uniform Building Codes, Uniform Plumbing Codes, National Electrical Codes and additional City local codes. Applicants shall obtain both a home and pest inspection report from an independent and qualified third party inspector ("Property Inspection Reports") at either the Applicant or seller's expense prior to the close of escrow to ensure that the property for purchase is not substandard or needing major repairs. The home inspector should be certified through the California Real Estate Inspection Association (CIREA). The Agency reserves the right to accept or reject Property Inspection Reports if, in its sole discretion, it determines that the reports are inadequate. Failure to provide adequate Property Inspection Reports can result in disapproval of the loan submittal.

2. The Applicant or seller must correct or abate all health and safety and code violations per Federal Housing Administration guidelines reported within the Property Inspection Reports and/or appraisal report, and shall correct and obtain permits for any unpermitted improvements (if applicable) as a condition precedent to funding a HOAP Now loan. Upon the Agency's review of the Property Inspection Reports, it may, in its sole and absolute discretion, require any other necessary repairs or deem any property ineligible for purchase under HOAP Now that requires extensive repair and/or lead based paint remediation.

3. The buyer shall obtain a one year home warranty through a national home warranty company. The home warranty can be paid for by the seller and/or the listing or buyers agent.

D. Title and Form of Home Ownership

Home ownership means ownership in fee simple title in a single family dwelling unit, town home or a condominium unit. For purposes of manufactured homes, homeownership means ownership in fee simple title of the land the manufactured home is permanently affixed to.

E. Lead Based Paint Requirements

For properties constructed prior to 1978 the following shall apply:

1. The Agency shall provide the Applicant with a lead-based paint notification/information brochure in the HOAP Now application package. This notification shall be signed by the Applicant and submitted to the Agency with the application;

2. The required Property Inspection Report shall identify any lead based paint components and defective paint surfaces;

3. If defective paint surfaces and/or deteriorating lead components are found the Agency will determine if further testing is required;

4. Should additional testing be required the Agency will order a licensed and certified lead based paint company to conduct the testing;

5. If lead based paint abatement work is required, the Agency may in its sole and absolute discretion, include as part of the loan an amount to complete the abatement work, testing and clearance fees;

6. The loan amount for lead abatement, testing and clearance fees shall not exceed a total of \$15,000, which amount may reduce the amount available for down payment and closing cost assistance. In no case shall the total loan exceed the lesser of 20% of the purchase or \$75,000;

7. Funds for needed lead based paint abatement, testing and clearance fees will be deposited into an escrow account and withdrawn upon completion of the work, Agency approval of the work and all required clearances provided;

8. Any unused funds will be returned to the Agency and will be applied toward reducing the principal amount of the loan;

9. The Agency reserves the right to reject the purchase of any home requiring extensive repairs and/or remediation; and

10. If the Agency approves the use of funds for lead abatement, testing and clearance fees, all required abatement work may be completed after the close of escrow.

F. Homeowner's Insurance

The Applicant must, as a condition of the loan, maintain homeowner's insurance on the property for the life of the loan and add the Agency as an additional insured on the policy. Evidence of insurance shall be submitted to the Agency on an annual basis.

G. Flood Insurance

The Agency/City participates in the National Flood Insurance Program, therefore, properties located within a 100-year flood plain or a Special Flood Area as identified by FEMA will be required to be covered by flood insurance to be eligible for loans through HOAP Now.

V. HOUSEHOLD ELIGIBILITY REQUIREMENTS

This section describes the HOAP Now requirements pertaining to the eligibility of households/applicants ("Applicant(s)") such as income and asset requirements, first-time homebuyer status, principal residence requirements, down payment and housing cost criteria, household composition, and preference criteria.

A. Application Process

The Agency will only accept complete loan applications submitted on behalf of the Applicant by Participating Lenders for processing. The Agency will process all applications submitted on a first-come, first served basis subject to the availability of funds. Applicants may only

submit one application from any Participating Lender. The submittal of multiple applications from multiple Participating Lenders will be cause for the Agency, at their sole discretion, to suspend the applicant from applying for HOAP Now assistance for a period of sixty days from the date of their disqualification letter. The Agency will prescreen all lender submitted applications to determine whether the Applicant meets income requirements, the first-time homebuyer definition as stated in Paragraphs (C) and (E) of this Section V ("HOAP Qualifications"), and do not exceed the maximum affordable housing cost as stated in Paragraph (A) of Section VIII ("Affordable Housing Costs and Agency Second Mortgage Terms"). The Agency will inform Applicant's Lender in writing if the Agency determines the Applicant does not meet the HOAP Qualifications, stating why the Applicant is not qualified. For those Applicants that meet the HOAP Now qualifications, City staff will issue a commitment letter which will include the amount of assistance the Applicant is eligible to receive and the expiration date of the commitment.¹ Applicants may request one 60 day extension provided they submit a written request prior to the expiration of their current commitment. Required forms are on the City's HOAP Now web site. Copies of all correspondence will also be sent to the Applicant for their records.

B. Preference Criteria

Preference will be given in the following order to the following eligible Applicants:

1. Households displaced as a result of actions by the City, County, State, and Federal governments.
2. Households buying a foreclosed home not requiring repairs and/or lead based paint mitigation and/or abatement.
3. Residents who live or work in the City at the time of application.
4. All other eligible households.

C. Income Requirements

The Applicant shall certify that they meet the household income eligibility requirements. The income limits in place at the time of application will apply when determining Applicant income eligibility. All Applicants must have a gross annual income that does not exceed 120% of the Riverside Area Median Income ("AMI") and a minimal income level of 80% of the Riverside AMI, adjusted for household size in accordance with the adjustment factors adopted by the United States Department of Housing and Urban Development in establishing income limits for lower income families (see Table below for 2010 income limits).

¹ The Applicant will have 60 days to enter into a valid sales contract for an HOAP Now eligible property otherwise the City's commitment expires.

2010 MODERATE INCOME LIMITS

| Number of Persons In Household | Minimal Required Annual Income | Maximum Allowed Annual Income |
|-----------------------------------|-----------------------------------|----------------------------------|
| 1 | \$36,400 | \$54,600 |
| 2 | \$41,600 | \$62,400 |
| 3 | \$46,800 | \$70,200 |
| 4 | \$52,000 | \$78,000 |
| 5 | \$56,200 | \$84,250 |
| 6 | \$60,350 | \$90,500 |
| 7 | \$64,500 | \$96,700 |
| 8 | \$68,650 | \$102,950 |

Source: Department of Housing and Community Development, Official State Income Limits for 2010 (July 2010).

D. Asset Requirements

Applicant will be permitted to retain up to \$10,000 or two times their monthly housing costs, whichever is greater, in liquid assets after close of escrow. Liquid assets are defined as stocks, bonds, securities, and funds from savings and/or checking accounts. Retirement accounts will not be considered a liquid asset for the purposes of HOAP Now. Generally, liquid assets are assets that can be liquidated into cash within a short period of time (i.e., 30 days or less). If the Applicant has or will have in excess of \$10,000 in assets after the close of escrow the difference must be applied toward reducing the City's assistance. Applicants will provide the Agency a copy of their past two months bank statements 60 days after the close of escrow to determine the amount of liquid assets after close of escrow. Liquid assets in excess of \$10,000 after the close of escrow will require a pay down of the Agency loan by the amount exceeding \$10,000.

E. Eligible Applicants

In order to qualify for HOAP Now, the Applicant cannot have owned a home for the previous three years from the date of application to HOAP Now. The Applicant must sign a sworn application attesting that they have not owned a home during the applicable period. In addition, the Applicant shall make available his or her Federal and state tax returns for the last three years to assist the Agency in ascertaining whether the Applicant has claimed any mortgage interest or real estate tax deductions. If the Agency finds that the Applicant has taken any mortgage interest or real estate tax deduction, the Applicant(s) shall not be eligible for assistance unless dissolution of a marriage can be shown through finalized divorce papers and a quit claim has been recorded removing the Applicant(s) from title of the other property. The Applicant shall be a United States citizen, United States non-citizen national or a qualified alien (as that term is defined in 8 U.S.C. § 1641, as amended from time to time).

F. Principal Residence Requirement

The Applicant(s) must occupy the property as their principal residence. Temporary subletting/renting of the residence or a room within the residence is not permitted. A covenant in the second trust deed will require that the purchased property remain the Applicant's principal residence. The loan documents (Promissory Note, Subordinated Deed of Trust, and the HOAP Now Agreement) between the Agency and the Applicant(s) will also incorporate this requirement and the restriction on subletting or renting a portion of the property.

G. Household Composition

Applicants must show proof that all household members identified on the HOAP Now application and those shown on the most recent Federal income tax return have lived together at the same address the last consecutive 12 months prior to the date of submittal of the Agency's application. Other circumstances with household members will require additional documentation in order to determine their status and determine the household size.

In the case where a person is shown on a Federal income tax return, but no longer resides in the household, documentation must be provided to the Agency showing the status of that person and their new address. The new address must be different from that of the Applicant(s); copies of recent social security statements, telephone bills, utility bills, or other similar documentation, deemed appropriate by the Redevelopment Director or his designee, shall be provided.

VI. DETERMINATION OF GROSS INCOME

A. Verification Of Income

All Applicant(s) shall submit documentation on all adults (18 years or over) that live in the home so that the Agency can verify gross income. If applicable, Applicant(s) shall submit the following documentation for all adults that live in the home: (i) wage receipts for the past three months; (ii) federal income tax returns for the past three years; (iii) any social security award letter; (iv) any pension(s) award letter; (v) banking statements for the past three months, (vi) unemployment benefits, etc. Failure to submit adequate and complete documentation will disqualify the Applicant(s) from participation in HOAP Now.

B. Gross Income

The Agency shall determine the gross income of Applicant(s) by following those guidelines found in the California Code of Regulations, title 25, section 6914, as may be amended from time to time, provided below:

“‘Gross income’ shall mean the anticipated income of a person or family for the twelve-month period following the date of determination of income. If the circumstances are such that it is not reasonably feasible to anticipate a level of income over a twelve-month period, a shorter period may be used subject to a redetermination at the end of such a period. "Income" shall consist of the following:

(a) Except as provided in subdivision (b), all payments from all sources received by the family head (even if temporarily absent) and each additional member of the family household who is not a minor shall be included in the annual income of a family. Income shall include, but not be limited to:

(1) The gross amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses;

(2) The net income from operation of a business or profession or from rental or real or personal property (for this purpose, expenditures for business expansion or amortization of capital indebtedness shall not be deducted to determine the net income from a business);

(3) Interest and dividends;

(4) The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts;

(5) Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (but see subdivision (b) (3)).

(6) Public Assistance. If the public assistance payment includes an amount specifically designated for shelter and utilities which is subject to adjustment by the public assistance agency in accordance with the actual cost of shelter and utilities, the amount of public assistance income to be included as income shall consist of:

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

(B) The maximum amount which the public assistance agency could in fact allow for the family for shelter and utilities,

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

(8) All regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is head of the family or spouse (but see subdivision (b) (5)).

Where a family has net family assets in excess of \$5,000, income shall include the actual amount of income, if any, derived from all of the net family assets or 10 percent of the value of all such assets, whichever is greater. For purposes of this section, net family assets means value of equity in real property other than the household's full-time residence, savings, stocks, bonds, and other forms of capital investment. The value of necessary items such as furniture and automobiles shall be excluded.

(b) The following items shall not be considered as income:

- (1) Casual, sporadic or irregular gifts;
- (2) Amounts which are specifically for or in reimbursement of the cost of medical expenses;
- (3) Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance worker's compensation), capital gains and settlement for personal property losses;
- (4) Amounts of educational scholarships paid directly to the student or to the educational institution, and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees, books and equipment. Any amounts of such scholarships, or payments to veterans not used for the above purposes of which are available for subsistence are to be included in income;
- (5) The special pay to a serviceman head of a family away from home and exposed to hostile fire;
- (6) Relocation payments made pursuant to federal, state, or local relocation law;
- (7) Foster child care payments;
- (8) The value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1964 which is in excess of the amount actually charged the eligible household;
- (9) Payments received pursuant to participation in the following volunteer programs under the ACTION Agency:
 - (A) National Volunteer Antipoverty Programs which include VISTA, Service Learning Programs and Special Volunteer Programs.
 - (B) National Older American Volunteer Programs for persons aged 60 and over which include Retired Senior Volunteer Programs, Foster Grandparent Program, Older American Community Services Program, and National Volunteer Program to Assist Small Business Experience, Service Corps of Retired Executive (SCORE) and Active Corps of Executives (ACE)."

VII. HOUSEHOLD FINANCIAL REQUIREMENTS

A. Income/ Credit Worthiness

Applicant(s) shall have sufficient income and credit worthiness and meet all lender underwriting requirements and qualify for primary financing before seeking approval from

the Agency for HOAP Now assistance. On a case-by-case basis, the Agency Executive Director, or his or her designee, may consider exceptions from the underwriting requirements for extreme or extenuating circumstances (including but not limited to divorce or death of a spouse). A bankruptcy or foreclosure in the last 2 years will automatically disqualify applicant.

B. Minimum Monetary Contribution

1. The Applicant(s) must have sufficient assets to provide a minimum monetary contribution equal to 3% of the purchase price of the home to be used for either a down payment or for closing costs associated with the purchase of the property²..

2. The 3% down payment from the Applicant(s) may be either a gift or come from the Applicant's own funds, but must not be a loan.

3. The home seller cannot directly or indirectly provide the Applicant's down payment.

4. If the down payment is a gift the source of the gift must be disclosed.

5. If the gift is from family and/or friends they must provide one of the following i.) a notarized letter stating the amount of the gift and that no repayment of the gift funds is required, ii.) a letter stating the amount of the gift and that no repayment of the gift funds is required along with a copy of the bank statement from the donor showing the funds are available, or iii.) use the lender approved form documenting the availability and source of gift funds.

C. First Mortgage Loan Requirements

1. Obtaining first mortgage loan

The Applicant(s) will be required to obtain and use the maximum first mortgage loan they can qualify for through one of the Participating Lenders (see Participating Lenders List). A final home price lower than the maximum indicated on the Commitment letter does not allow the Applicant(s) to lower their first trust deed amount.

2. Fixed rate first mortgage

The Applicant(s) will be required to accept a fixed rate first mortgage loan. Adjustable rate loans, balloon payments, interest only payment loans, temporary buy-downs, negatively amortizing, or prepayment penalty loans are not allowed under HOAP Now.

3. Above market interest rates

First mortgage interest rates that are above the current going market rate due to the Applicant's poor credit, housing cost ratios or for any other reasons will not be permitted.

4. Maximum affordable housing cost includes

² If the Applicant is seeking a FHA loan, the down payment must meet the FHA requirements of a minimum of 3.50 percent unless the HOAP Now assistance provides the adequate down payment in which case the HOAP Now required 3% down payment requirement will prevail.

The Applicant(s) maximum affordable housing cost cannot exceed the product of 35% times 110% of the area median income but in no case shall it be less than 28% of their monthly gross income. The maximum affordable housing cost includes:

- a. Principal,
- b. Interest,
- c. Real estate taxes,
- d. Hazard insurance,
- e. Maintenance and utilities expense, and
- f. HOA dues if applicable.

For purposes of assisting Participating Lenders in determining the maximum first loan an applicant could qualify for and estimating the maximum affordable housing cost, the Agency will provide Participating Lenders a Loan Qualification Worksheet.

VIII. MAXIMUM AFFORDABLE HOUSING COST, AGENCY SECOND MORTGAGE TERMS

A. Maximum Affordable Housing Cost

1. Definition of monthly maximum affordable housing costs

The monthly maximum affordable housing cost shall not be less than 28% of the gross income of the household, nor exceed the product of 35% times 110% of the area median income adjusted for family size appropriate for the unit.

The adjusted household size appropriate for each unit size is based on the number of persons exceeding the number of bedrooms by one as follows:

| <u>Unit Size</u> | <u>Household Size</u> |
|-------------------------|------------------------------|
| Studio | 1.0 Persons |
| One Bedroom | 2.0 Persons |
| Two Bedroom | 3.0 Persons |
| Three Bedroom | 4.0 Persons |
| Four Bedroom | 5.0 Persons |
| Five Bedroom | 6.0 Persons |

While the actual household size for a residential unit may be less than or exceed the figures identified in the table above, the household size limitations established herein are used to determine the applicable area median income adjusted for household size and for calculation of the applicable monthly maximum affordable housing costs for the unit size (number of bedrooms).

2. Calculation of maximum affordable housing cost

The monthly maximum affordable housing cost for each unit size must be adjusted down to reflect an allowance for housing related expenses including taxes and assessments, fire and casualty insurance, property maintenance and repairs, utilities, and HOA fees (if applicable). The adjusted monthly housing cost for each unit size reflects the amount available for debt service and is used for calculating the maximum loan amount to be secured by a First Deed of Trust.

The 2010 monthly maximum affordable housing cost for each unit size and calculation of the respective affordable home price range under HOAP Now is depicted in the following table. The maximum loan amount amounts are subject to change based on interest rates and the annual income limits.

| SUMMARY | Moderate-Income (120% of median income) | | | | | | | |
|-------------------------|--|------------|------------|------------|------------|------------|------------|------------|
| Household Income Limits | \$54,600 | \$62,400 | \$70,200 | \$78,000 | \$84,250 | \$90,500 | \$96,720 | \$102,960 |
| Households Size | 1 person | 2 person | 3 person | 4 person | 5 person | 6 persons | 7 persons | 8 persons |
| Dwelling Unit Size | Studio | 1 Bedrooms | 2 Bedrooms | 3 Bedrooms | 4 Bedrooms | 5 Bedrooms | 6 Bedrooms | 7 Bedrooms |

| | | | | | | | | |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Max. Monthly Housing Cost | \$1,459.79 | \$1,668.33 | \$1,876.88 | \$2,085.42 | \$2,252.25 | \$2,419.08 | \$2,585.92 | \$2,752.75 |
| Available For Debt Service | \$907.06 | \$1,047.54 | \$1,189.66 | \$1,331.17 | \$1,431.03 | \$1,541.64 | \$1,654.84 | \$1,766.37 |

* Max. Moderate-Income Reflects 35% X 110% AMI

| | | | | | | | | |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Max. Loan Amount @ 30 Years | \$168,968 | \$195,137 | \$221,613 | \$247,972 | \$266,574 | \$287,180 | \$308,266 | \$329,042 |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|

@ Interest Rate: 5.00%

| | | | | | | | | |
|----------------------------------|----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|
| Homebuyer 3% Down Payment | \$6,583 | \$7,603 | \$8,634 | \$9,661 | \$10,386 | \$11,189 | \$12,010 | \$12,820 |
|----------------------------------|----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|

| | | | | | | | | |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Affordable Housing Price | \$219,439 | \$253,424 | \$287,809 | \$322,041 | \$346,200 | \$372,961 | \$400,345 | \$427,328 |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|

Reflects 3% Down Payment Requirement

Note: Real Estate Taxes calculated on approx. Affordable Housing Prices; Insurance calculated on est. replacement costs.

As depicted above, the maximum amount available for debt service in conjunction with current mortgage loan interest rates serve to establish the maximum first mortgage performing loan amount (a loan requiring monthly payment of principal and interest). In the case of town homes, condominiums and other homes that require payment of HOA fees, the maximum affordable housing costs and loan amounts will be reduced accordingly. The maximum first mortgage loan amount plus the applicant's minimum 3% down payment and the

Agency's HOAP Now down payment assistance loan serves to determine the range of the affordable housing price for each unit size.

B. Agency Second Mortgage/ Down Payment Assistance

Each Applicant(s) is eligible for up to 20% of the purchase price to a maximum of \$75,000 in Agency assistance ("RDA Funds"). The Agency will only provide that amount necessary to enable the Applicant(s) to purchase a home. As a result the final loan amount may be less than 20% of the downpayment. See example below.

C. Closing Costs

The Agency may provide up to \$5,000 to assist the Applicant(s) in paying for non-recurring closing costs. The amount of closing cost assistance will be combined with the amount of down payment assistance and will be secured against the property as a part of the Agency's second mortgage. The total Agency assistance, including \$5,000 for closing costs, shall be the lesser of 20% of the purchase price or \$75,000. See example below.

Example: Agency second mortgage/ down payment assistance and closing costs

| | |
|-------------------------------|-------------------|
| Purchase Price: | \$240,000 |
| Less Buyer 3% Down Payment: | -\$ 7,200 |
| Less Bank Loan: | <u>-\$189,800</u> |
| Gap Financing* (Agency Loan): | \$ 43,000 (17.9%) |
| Closing Costs | \$ 5,000 (2.1%) |
| Total Agency Assistance | \$ 48,000 (20%) |

D. Resale

California Redevelopment Law requires that owner-occupied affordable housing assisted with the Low Mod Funds remain affordable for a period of forty-five years ("Affordability Period"). This means that within the Affordability Period, buyers utilizing HOAP Now must either resell the home at an affordable price to another affordable home buyer or participate in the Recapture provision discussed below.

E. Recapture

Recapture is a mechanism of the Agency used to recover all of the affordable housing assistance if the initial buyer voluntarily or involuntarily (through foreclosure) sells the house during the affordability period to a non-qualified affordable home buyer.

In the event of a sale of the home during the Affordability Period at a price that is not affordable, the Agency will recapture, in full, the RDA Funds and the Agency's equitable share of the appreciation (net proceeds), as discussed below. If the home is sold at an affordable price to a qualifying moderate income household, the seller will not have to share any of the appreciation (net proceeds) provided the affordability restrictions remain on the property and the Agency recovers the RDA Funds.

The equitable share of the appreciation refers to the amount of the appreciated market-rate resale value of a home minus superior loan payments (1st, 2nd), closing costs, and the value of any verifiable capital improvements multiplied by the percentage that the Agency

has deemed necessary to recover its investment of moneys from its Low Mod Fund.

Capital improvements are verifiable, through original receipts and/or contracts, and include improvements such as roof replacement, new additions, re-plumbing, replacement of water heater, a/c or heating units, solar energy panels, new kitchen or bathroom cabinets, floor cover, etc. Regular maintenance items, such as painting, replacing fixtures, replacing broken windows, torn screens, fixing or adding sprinklers, are not considered capital improvements under HOAP Now. The Agency will have the final determination as to what items qualify as capital improvements.

The Agency's equitable share of the appreciation will be reduced throughout the affordability period based on the following scale:

| | |
|--------------|---|
| Years 1-2 | 0% reduction of Agency's equity share |
| Years 3-4 | 33% reduction of Agency's equity share |
| Years 5-7 | 66% reduction of Agency's equity share |
| After Year 8 | 100% reduction of Agency's equity share |

Example: Appreciation (net proceeds) calculation based on the sale example shown in Section VIII (A) above.

| | Year 1 | Year 6 | Year 9 |
|-------------------------------|------------|------------|------------|
| Sale Price | \$266,000 | \$350,000 | \$400,000 |
| Payoff first loan | -\$190,500 | -\$182,000 | -\$170,000 |
| Payoff Agency loan | -\$40,000 | -\$40,000 | -\$40,000 |
| Return of Down Payment | -\$7,200 | -\$7,200 | -\$7,200 |
| Closing Costs | -\$5,000 | -\$5,000 | -\$5,000 |
| Value of Capital Improvements | \$0 | \$6,000 | \$16,000 |
| Net Proceeds | \$23,300 | \$111,600 | \$161,800 |

Example: Buyer and Agency share of appreciation (net proceeds)

| | Year 1 | Year 6 | Year 9 |
|--------------|---|--|----------------------------------|
| Net Proceeds | \$23,300 | \$111,600 | \$161,800 |
| Agency Share | $x (85\% x 100\%)$ <u>= \$19,805</u> | $x (85\% x 34\%)$ <u>= \$32,252</u> | $x (85\% x 0\%)$ <u>= \$0</u> |
| Net Proceeds | \$23,300 | \$111,600 | \$161,800 |
| Agency Share | -\$19,805 | -\$32,252 | -\$0 |
| Buyer Share | <u>\$3,495</u> | <u>\$79,348</u> | <u>\$161,800</u> |

In the event the first mortgage is insured by the Federal Housing Administration FHA, the following scale will apply:

| | |
|--------------|---|
| Years 0-1 | 0% reduction of Agency's equity share |
| Years 2-4 | 50% reduction of Agency's equity share |
| Years 5-7 | 66% reduction of Agency's equity share |
| After Year 8 | 100% reduction of Agency's equity share |

The purpose of the sliding scale on the Agency's equity share is to encourage stable homeownership in the community and to provide the homeowner the opportunity to build equity after several years of occupancy.

F. Terms of Agency Second Mortgage Loan

1. Secured second mortgage

The Agency assistance, or RDA Funds, used for down payment and/or closing costs will be in the form of a secured second mortgage. A second deed of trust will be recorded to secure the Agency's loan.

2. Monthly loan payments

There will be no monthly payments on the Agency second mortgage. However, the Applicant may prepay the loan without penalty.

3. Interest on second mortgage

No interest will be charged on the Agency second mortgage except in the case of a loan default. In such case the interest rate charged will be 5% simple interest from the date of the loan to the time of default.

4. Payment of Agency second mortgage (Recapture Provision)

Prior to the thirtieth anniversary of the effective date of the Agency loan, the Agency second mortgage is 100% immediately due and payable. Notwithstanding the foregoing, the Agency second mortgage is 100% immediately due and payable upon the occurrence of any of the following events:

- a. Upon sale of the property,
- b. Transfer of title of the property or any interest in the property (i.e., adding any new owner to the title),
- c. When the Applicant(s) ceases to reside in the property,
- d. When the Applicant(s) leases or subleases the property,
- e. When the Applicant(s) breaches the terms of the Agency deed of trust (i.e., does not maintain unit, fails to pay property taxes, HOA dues, etc.)

Under no circumstance will temporary or permanent leases of the property be permitted. (i.e., renting or leasing of the property due to job relocation is also prohibited).

5. Acceleration Clause

An acceleration clause shall be in effect if the property title is transferred, equity is withdrawn from the property, the home is no longer the borrower's principal residence, failure to report changes, including, but not limited to, additions, increases in household size other than those increases directly related to a birth, marriage or other Agency-approved household size increase, fire and vandalism, discovery of willful misrepresentations in connection with the program regulations or financial default. On a case-by-case basis, the Agency may consider the transfer of title in the case of marriage and/or dissolution of marriage.

The acceleration clause shall become operative if the borrower willfully and knowingly makes a false statement or representation or knowingly fails to disclose a material fact for the purpose of qualifying for the down payment assistance or, in completing certifications, affidavits or recertification of occupancy. The Agency shall demand full repayment of the loan principal, any accrued interest, and 100% of their share of any appreciation equity.

6. Assumption

The Agency loan is not assumable.

G. Resales, Refinancing, Payment of First Mortgage, Withdrawal of Equity and Subordination

The request for the subordination shall be received in writing by the Agency. All requests shall be reviewed by Agency staff or their designee to determine approval or denial of the subordination. All determinations made by the Agency or their designee shall be final. Consideration for subordinations shall be as follows:

1. Resale amount

The property shall not be sold for less than the sum of the existing liens (1st and 2nd TDs), encumbrances and interest, including property tax liability. In the case of a foreclosure the Agency reserves the right to cure the default and/or exercise a Right of First Refusal.

2. Refinancing to reduce monthly payments

Refinancing of the first mortgage is allowed for the purpose of reducing monthly payments due to lower market interest rates. In no case, shall the amount of the new first mortgage exceed the then outstanding balance of the original first mortgage plus reasonable closing costs associated with the refinance not to exceed 3%-4% of the new first mortgage loan amount. Under this circumstance only, a request for subordination of the Agency's second deed of trust may be reviewed and approved by Agency staff.

3. Withdrawal of equity - Agency loan pay-off and equity share

The withdrawal of equity from the property will require the immediate repayment of the Agency's second mortgage, the Agency's share of the equity based on an appraisal, and all unsecured notes in full, as applicable, including principal plus accrued interest if any. This includes the withdrawal of equity for all purposes including, but not limited to;

a. Refinance or payoff of a third deed of trust or other form of lien junior to the Agency's deed of trust;

b. New first mortgage that includes mortgage payment arrearages.

H. Annual Recertification of Occupancy/ Annual Report to Agency

Each Applicant(s) agrees and will be required to allow the Agency to recertify occupancy. At a minimum this re-certification will occur on an annual basis for the duration of the Applicant's occupancy of the home during the Affordability Period. The recertification of occupancy is to confirm that the assisted household is still the primary occupant of the home. Recertification may include requiring the Applicant(s) to provide copies of current property insurance showing the Agency as additional insured or other documentation as requested by the Agency.

IX. LOAN APPLICATION AND PROGRAM PROCESSING PROCEDURES

HOAP Now is designed to be used in conjunction with the normal mortgage loan application process. The following outline sets forth the general program procedures and sequence of events. From time to time, at the discretion of the Agency Executive Director or his/her designee, these procedures may be modified.

1. Interested Applicant(s) may download a copy of the HOAP Now Summary Guidelines and Procedures and the Participating Lenders List from the City's web site, www.coronaHOAPNow.com. Applicant(s) may also contact the Redevelopment Agency's office at (951) 736-2260 and request a copy of the HOAP Now Summary Guidelines and Procedures.

2. Once the Applicant(s) have reviewed the HOAP Now Summary Guidelines and Procedures to determine if they might qualify, on the basis of income and whether they are bona-fide first time homebuyers/ Applicant(s) they will need to register for the First Time Home Buyer Seminar and obtain the certificate showing they have completed the course before contacting the Participating Lenders. This eight hour course is offered free of charge by the Fair Housing Council on a monthly basis. Contact them at 1-800-655-1812 to register and/or find out when and where the next seminar is offered. Neighborhood Housing Services of the Inland Empire, based in San Bernardino also offers First-Time Homebuyer Seminars and can be contacted at (909) 884-6891. Applicants can take any other HUD approved first time home buyer seminar however Applicant must ensure the provider's class is HUD approved.

3. Once the Applicant(s) have completed the course they should contact one of the Participating Lenders in order to submit an application for a mortgage loan. The Participating Lenders are familiar with the requirements of HOAP Now and will be able to determine whether Applicant(s) qualify for assistance through HOAP Now. The Agency reserves the right to make the final determination whether an Applicant(s) qualifies for assistance through HOAP Now. The Participating Lender will also determine whether the applicant qualifies for a first mortgage loan based on its requirements and the requirements of HOAP Now. The Participating Lender will then forward a complete copy of the loan package to the Agency for its review and determination of the Applicant(s) eligibility. After the Agency reviews the submitted loan package, it will issue either a commitment or rejection letter as it relates to the HOAP Now Program.

4. The Applicant(s) should also contact the Riverside County Economic Development Agency (RC-EDA) at (951) 955-3389 or (800) 909-0079 or go to their web site at <http://www.rivcoeda.org> to obtain information and see if they qualify for the

Mortgage Credit Certificate Program (MCC). The MCC is administered by the RC-EDA and applicants will need to check with them regarding qualifying standards.

5. All the forms required by the Lenders and/or the applicants for the application submittal are available on the City web site at www.coronaHOAPNow.com including;

The Lender HOAP Now Certification. Applicants(s) can provide a copy of this certification form to the Participating Lender to be submitted with the complete loan package for the Agency's review and approval. Lenders failing to submit a fully executed certification form will have their loan packages returned,

The HOAP Now Applicant Affidavit. Each Applicant(s) must list all household members' names, relationship, age, and Applicants(s) Social Security number. The Applicant(s) will be certifying amongst other things that they meet the gross household income guidelines, the purchased home will be their principal place of residence, that they have not owned a home within the three prior years from the date of the application, and several other requirements. The Applicant Affidavit must be signed and dated by the Applicant(s), and

The Addendum to the Purchase and Sale Agreement which must be attached to the purchase and sale agreement and executed by both the Buyer and the Seller.

X. LENDER ELIGIBILITY AND PARTICIPATION REQUIREMENTS

A. Lender Criteria

In order to be a Participating Lender for HOAP Now, all lenders must meet the following:

1. Mandatory participation in the Agency's Lender Training Seminar(s).
2. The Submittal of a completed lender application form, agreement signed by the appropriate authorized officer of the company, and \$250 application processing fee. payable to the Redevelopment Agency of the City of Corona.
3. Participating Lenders shall be direct lenders with the ability to originate and service loans. Loan/mortgage brokers are not eligible for approval and placement on the Agency's Participating Lenders List; however, they can submit their loans for funding through one of the direct Participating Lenders. All Participating Lender and broker participants must provide proof of Errors and Omission insurance. Direct Participating Lenders shall remain responsible for all submittals to the Agency to ensure that all aspects of the purchase and loan submittal meet all the HOAP Now requirements.
4. A maximum of three loan officers and a minimum of one underwriter will be approved per lender office to a maximum of four offices. Any and all applications must be underwritten, reviewed, signed, and submitted by the approved loan officers and underwriters. Loan officers must provide a copy of their real estate license and the underwriter should provide a copy of their CHUMs number and/or mortgagee letter.
5. Participating Lenders shall make their best efforts to provide assistance to all HOAP NOW Applicant(s) with minimal inconvenience to the borrower.

6. Participating Lenders are encouraged to provide office staff personnel with the ability to communicate in Spanish.

7. Participating Lenders are responsible for ensuring that submitted applications are in compliance with the HOAP Now Guidelines.

8. Participating Lenders should demonstrate a commitment to affirmative marketing.

9. Participating Lenders shall have demonstrable experience in first-time home buyer programs evidenced through submittal of letters of approval from three local jurisdictions that have first time home buyer programs or previous experience with HOAP Now as determined by the Agency.

10. The selection of Participating Lenders shall be at the sole discretion of the Agency. The Agency reserves the right to limit the number of Participating Lenders.

11. The Agency reserves the right to remove any Participating Lender for the lack of providing satisfactory customer service and/or submission of a minimum number of applications over a predetermined period as set by the Agency.

B. Selection Process

The Redevelopment Director or his/her designee at their discretion shall approve the lenders that meet the qualifications stated above. These lenders will be listed in the HOAP Now Participating Lender List. The Redevelopment Director or his/her designee reserves the right to increase or decrease the number of Participating Lenders. Lenders that are not included in the Agency Participating Lender List will not be allowed to submit applications for HOAP Now assistance.

Applications from lenders will be date stamped and reviewed by the Redevelopment Director or his/her designee to determine eligibility. The Redevelopment Director or his/her designee reserves the right to reject any and all applications it deems incomplete or not responsive.

C. Lender Procedures

In order for the Agency to determine whether an Applicant(s) qualifies for assistance through HOAP Now, the Participating Lender must submit the following as soon as possible in order for the Agency to determine eligibility and issue a commitment letter of funds or a rejection letter:

1. Cover letter summarizing the lender's proposed loan terms for applicant loan conditional approval and conformance to the City's/Agency's Loan Qualification Worksheet loan terms.

2. Copy of the "full lender package", with all documentation used to qualify the Applicant(s) for the first mortgage loan including but not limited to the following:

a. 1003 or other Uniform Residential Loan application with Applicant(s) signatures,

b. HOAP Now II Loan Application and Certifications;

- c. 1008 Uniform Underwriting and Transmittal Summary, or equivalent, with approved Loan Officer and Underwriter signatures,
 - d. Employment and income verifications,
 - e. Previous three (3) years signed federal income tax returns with all schedules,
 - f. Proof, source, verification, and amount of down payment,
 - g. Credit report(s) and/or summary of credit,
 - h. Completed and signed First Mortgage Lender's Certification,
 - i. Property Inspection Report (when available),
 - j. Appraisal (when available),
 - k. Signed Purchase and Sales Agreement, at time of purchase offer, with Addendum to Purchase and Sale Agreement,
 - l. Signed Escrow Instructions and all amendments/conditions, at time of purchase offer,
 - m. Preliminary Title Report, at time of purchase offer
3. Any other supporting documentation used to qualify the Applicant(s) that may be relevant to the determination of their income, etc (i.e., letters of explanation, etc.)
4. The "Applicant Affidavit" form completed and signed by the Applicant(s).
5. The "Addendum to Purchase and Sales Agreement" completed and signed by both the Seller and Buyer.
6. A copy of the Certificate of Completion for any HUD approved first time home buyer seminar.
7. Submittal of the Property Inspection Report by a certified property inspector. The property inspection report must be accepted by the Agency prior to any commitment of funds. Failure to provide a property inspection report or an inadequate report may result in a rejection of the application.
8. Proof of income for any household member 18 years of age or older (regardless of who will be named on the loan).
9. The Agency will review the loan application and provide a response to the lender in 5-10 working days. Applicants are limited to submitting one application from any and all Participating Lenders Applicants submitting more than one application will be suspended from applying for HOAP Now assistance for a period of sixty days from the date

of the disqualification letter. Incomplete packages will be returned to the lender. Submittal of the lender's package does not guarantee approval of Applicants(s) or a commitment of funds from the Agency. The Agency reserves the right to make the final determination as to an Applicant's eligibility for receiving assistance through HOAP Now.

10. Once any and all questions have been addressed to the Agency's satisfaction the Agency will issue a commitment letter, as long as funds are available, to the Applicant(s) stating that they are eligible for assistance through HOAP Now. The commitment letter will be good for 60 days; failure to enter into an accepted purchase/sale contract between buyer, seller and in the case of short sales and accepted offer from the first and second trust deed lenders for a home and open escrow within that time may result in termination of the commitment.

The Agency at its discretion may provide one 60 day extension upon written request by the Applicant and submission of documentation from their realtors showing they have made a minimum of five (5) offers in the previous 60 day period. Any requests with less than five offers will be declined unless a clear and concise explanation is provided as to why they didn't make at least five offers. Applicants should use the HOAP Now approved forms to request the extension which shall be made available to them.

If Applicant fails to enter into a purchase/sale contract for a home within the extension period the commitment will expire. The Applicant(s) will have to wait forty-five (45) days after this expiration before their lender can submit a new loan package for that Applicant(s) and restart the process.

11. Ineligible Applicant(s) will be issued written notification stating why the Applicant(s) is not eligible.

XI. PENALTIES

Strict penalties may be imposed on any Applicant(s) or Participating Lender making a material misstatement, misrepresentation or committing a fraudulent act on documents submitted to purchase a housing unit through HOAP Now. Any Applicants(s), person(s) or Participating Lender(s) making a negligent or fraudulent material misstatement or misrepresentation in any affidavit or certification made in connection with the application for or the issuance of a down payment assistance loan shall be subject to all Agency, State, and Federal applicable fines and penalties. The Agency's second mortgage shall be immediately due and payable and the Lender will be immediately removed from the Participating Lender List.

XII. GRIEVANCE PROCEDURE

Appeals by any Applicant(s) or other person who believes their interest is or has been adversely affected by any determination or requirement of HOAP Now and/or Agency staff in regards to the rules and requirements of HOAP Now may appeal to the Agency Executive Director or his/her designee. The appeal must prove that the guidelines, rules and regulations of HOAP Now are not being met, or are arbitrary or capricious, or that these rules and regulations are being capriciously or not properly applied. Such appeal must be submitted in writing to the Agency Executive Director or his/her designee within five (5) business days from receipt of a loan denial letter from the Agency. The Agency Executive Director or his/her designee will respond within fifteen business days and their determination shall be final.