



**Sacramento
Housing &
Redevelopment
Agency**

REPORT TO COUNCIL
City of Sacramento
915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org

Consent
June 17, 2008

Honorable Mayor and Members of the City Council

Title: CalHome Application

Location/Council District: Citywide

Recommendation: Adopt a **City Resolution** authorizing the Interim Executive Director or her designee to: 1) submit an application to the California Department of Housing and Community Development (HCD) for funding under the CalHome Program; 2) execute a Standard Agreement for such funding and any amendments thereto; 3) execute any related documents necessary to participate in the CalHome Program; 4) adopt local CalHome Program Guidelines; and 5) amend the Agency Budget to receive and expend not more than \$1,500,000 in CalHome funding for First-Time Homebuyer Mortgage Assistance and Owner-Occupied Rehabilitation activities.

Contact: Mary L. Lyon, Assistant Director, Real Estate and Construction Services, 440-1399, x1241, Susan Perry, Homeownership Services Supervisor, 264-1522

Presenters: Not applicable

Department: Sacramento Housing and Redevelopment Agency (SHRA)

Description/Analysis

Issue: The California Department of Housing and Community Development recently announced a Notice of Funding Availability (NOFA) for the CalHome Program for the eligible activities of First-Time Homebuyer Mortgage Assistance and Owner-Occupied Rehabilitation Programs. Applications under the NOFA are due to HCD no later than June 25, 2008. The funding for this NOFA was provided by the passage of Proposition 1C, the Housing and Emergency Shelter Trust Fund Act of 2006.

This report requests authorization to apply for CalHome Program funds in the amount of \$1,500,000 to provide homeownership assistance, up to \$60,000 per home, to approximately 30-35 homeowners/homebuyers in target areas of the City.

CalHome Application

Policy Considerations: The actions requested in this staff report are consistent with Agency policy to provide affordable homeownership opportunities and improve and preserve the existing housing supply within the target and redevelopment areas of the City.

Environmental Considerations: The proposed action consists of an application to create a government funding mechanism, which is a financing mechanism, to provide purchasing assistance to low-income home buyers for purchase of single family homes which have previously been constructed or are in projects that have already been reviewed under the California Environmental Quality Act (CEQA), approved, and are under construction. The action does not commit to any specific project which may result in potentially significant impacts on the environment. As such, the proposed action does not constitute a project under CEQA per Guidelines Section 15378(b) (4). The National Environmental Policy Act (NEPA) does not apply.

Committee/Commission Action: At its meeting on June 4, 2008, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution. The votes were as follows:

AYES: Burruss, Chan, Coriano, Fowler, Gore, Mohr, Morgan, Otto, Shah, Stivers

NOES: None

ABSENT: Dean

Rationale for Recommendation: A successful CalHome application would provide funding for homeownership assistance to 30-35 low-income homebuyers and homeowners in the revitalization areas of the City, increasing homeownership rates and preserving existing affordable housing.

Financial Considerations: The CalHome application will be in the amount of \$1,500,000. The program includes a CalHome program activity delivery fee of approximately 10-15 percent of the grant amount. Loan repayments revolve into an Agency CalHome reuse account which will fund future loan programs.

June 17, 2008

CalHome Application

M/WBE Considerations: The items discussed in this report have no M/WBE impact; therefore, M/WBE considerations do not apply.

Respectfully Submitted by: 
LA SHELLE DOZIER
Interim Executive Director

Recommendation Approved:


RAY KERRIDGE
City Manager

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CalHome Application - Background

Background: SHRA has been administering the CalHome Program on behalf of the City and the County for several years and has helped 230 low-income households buy their first home or rehabilitate their existing home with CalHome funds.

To serve the highest number of eligible homebuyers/homeowners, the NOFA limits the amount of CalHome assistance per unit to \$60,000 including activity delivery costs.

First-Time Homebuyer Mortgage Assistance: The CalHome First-Time Homebuyer Mortgage Assistance Program provides down payment and mortgage assistance to low-income first-time homebuyers. The assistance is in the form of a deferred payment loan. The maximum loan to homebuyers will be determined based upon the amount of assistance needed to make the unit affordable to the homebuyer. Please see Attachment 3, CalHome First-Time Homebuyer Mortgage Assistance Program Guidelines, for the Agency's proposed program guidelines.

Owner-Occupied Rehabilitation: The CalHome Owner-Occupied Rehabilitation Program provides assistance to low-income owner-occupants to pay for repairs and improvements to their home (including mobile homes). This assistance is in the form of a deferred payment loan. The maximum loan to individual homeowners will be determined based upon the amount of subsidy required to fund costs associated with eligible improvements. Please see Attachment 4, CalHome Owner-Occupied Rehabilitation Program Guidelines, for the Agency's proposed program guidelines.

Program Targeting: The applications for the CalHome funding will be rated and ranked based upon various evaluation criteria, and maximum points will be awarded in the category of community revitalization if the applicant restricts the program to federally defined qualified census tracts and/or designated redevelopment areas. Because of the need to increase homeownership and improve existing housing stock in these areas, the limited number of homeowners that can be assisted with these funds, and to make our application more competitive, staff recommends that the program be targeted to the qualified census tracts and redevelopment areas. Please see Attachment 5, CalHome Target Area Map.

RESOLUTION NO. 2008 _____

Adopted by the Sacramento City Council

on date of

AUTHORIZATION FOR SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY TO APPLY FOR, ACCEPT AND ADMINISTER THE CALHOME PROGRAM IN THE NAME OF AND ON BEHALF OF THE CITY OF SACRAMENTO; ADOPTION OF CALHOME GUIDELINES; AND RELATED BUDGET AMENDMENT

BACKGROUND

- A. The City of Sacramento, a political subdivision of the State of California, desires to apply for and receive an allocation of funds through the CalHome Program.
- B. The California Department of Housing and Community Development (“HCD”) has issued a Notice of Funding Availability (“NOFA”) for the CalHome Program established by Chapter 84, Statutes of 2000 (SB1656 Alarcon), and codified in Chapter 6 (commencing with Section 59650) of Part 2 of Division 31 of the Health and Safety Code (the “statute”). Pursuant to the statute, HCD is authorized to approve funding allocations utilizing monies made available by the State legislature to the CalHome Program, subject to the terms and conditions of the statute and the CalHome Program Regulations adopted by HCD in April 2004; and
- C. The City, by its agent, the Sacramento Housing and Redevelopment Agency, (“Agency”) wishes to submit an application to obtain from HCD an allocation of CalHome funds in the amount of \$1,500,000.
- D. The proposed action is approval of Agency’s submission of an application for funds to be used under the statutory requirements of the CalHome Program to provide purchasing assistance to low-income home buyers for purchase of single family homes which have previously been constructed or are in projects that have already been reviewed under CEQA, approved, and are under construction. The action does not commit to any specific project which may result in potentially significant impacts on the environment. As such, the proposed action does not constitute a project under CEQA per Guidelines Section 15378(b) (4). The National Environmental Policy Act (NEPA) does not apply.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The foregoing findings are true and correct and hereby adopted.
- Section 2. The City delegates authority to the Agency to submit an application to HCD on behalf of and in the name of the City of Sacramento to the CalHome Program in response to the NOFA issued on April 18, 2008 which will request a funding allocation in the amount of \$1,500,000 to support existing homeownership programs in the City of Sacramento for low-and very low-income households.
- Section 3. The City delegates authority to the Agency to receive funding from HCD in the amount of \$1,500,000 on behalf of and in the name of the City and to administer CalHome funds in accordance with the CalHome program rules and regulations, and to allocate such funds to the First-Time Homebuyer Mortgage Assistance and the Owner-Occupied Rehabilitation Programs.
- Section 4. The City authorizes the Agency to execute, on behalf of itself and the City, all instruments necessary or required by HCD for participation in the CalHome Program, as currently established in the applicable law and regulations.
- Section 5. The City, for itself and the Agency, adopts the CalHome First-Time Homebuyer Mortgage Assistance Program Guidelines, as described in Attachment 3 and the CalHome Owner-Occupied Rehabilitation Program Guidelines, as described in Attachment 4. The Agency may make technical changes to the guidelines as necessary for program implementation.
- Section 6. If the application for funding is approved, the Agency's Budget is hereby amended to incorporate the CalHome funding of up to \$1,500,000 for the First-Time Homebuyer Mortgage Assistance and the Owner-Occupied Rehabilitation programs. The Agency is authorized to move funds from one program to another as needed to ensure CalHome expenditures.



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Fact Sheet

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CalHome First-Time Homebuyer Mortgage Assistance Program 2008 PROGRAM GUIDELINES

CalHome Program	Sacramento Housing and Redevelopment Agency has an allocation of State CalHome funds available for mortgage assistance to qualified borrowers. This funding is administered in accordance with guidelines adopted by the State Department of Housing and Community Development (HCD). Funds are provided to qualified households in the form of 30-year, deferred-payment second mortgages. The CalHome First-Time Homebuyer Mortgage Assistance loan helps buyers purchase homes by providing financial assistance to reduce the amount of the first mortgage and to pay non-recurring closing costs.
Maximum Loan Amount	The maximum loan shall not exceed the required amount of assistance needed to make the unit affordable to the homebuyer and to pay non-recurring closing costs, not to exceed \$55,000.
Interest Rate	Three percent fixed rate, simple. Principal and interest shall be deferred for the term of the loan.
Term	30 years
Max CLTV	The loan-to-value ratio for the CalHome Program loan, when combined with all other indebtedness to be secured by the property, shall not exceed 100 percent of the sales price plus a maximum of up to five percent of the sales price to cover actual closing costs.
Use of Funds	Funds may be used for down payment, mortgage assistance and non-recurring closing costs. In the case of the purchase of a bank-owned property, funds may also be used to pay for both the acquisition and rehabilitation of the house.
Refinancing	Refinancing may be allowed subject to Agency subordination policy.
Repayment	Loans shall be repayable upon sale or transfer of the property, when the property ceases to be owner-occupied, or upon the CalHome Program Loan maturity date.

Hardship	<p>However, if it is determined by the recipient that repayment of the CalHome Program loan at the maturity date causes a hardship to the borrower, the borrower has two options:</p> <p>(A) Amending the note and deed of trust to defer repayment of the amount due at loan maturity, that is the original principal and the accrued interest, for up to an additional 30 years (at zero percent additional interest), this may be offered one time, or</p> <p>(B) Converting the debt at loan maturity, that is the original principal balance and any accrued interest, to an amortized loan, repayable in 15 years at zero percent additional interest.</p>
Eligible Properties	Single family homes in eligible areas of the City and County of Sacramento.
City	In the City of Sacramento, the CalHome Program is limited to properties located in “qualified census tracts” and/or redevelopment areas. Please see the following page for list of “qualified census tracts” and Agency redevelopment areas.
County	In the County, the CalHome program is available only within the unincorporated areas of the County. The program is not available in Citrus Heights, Elk Grove, Galt, Folsom, Isleton, or Rancho Cordova.
Reuse Account	When CalHome loans are repaid, the funds are deposited into a “CalHome Reuse Account”. Loans funded from this reuse account are not limited to properties in qualified census tracts or redevelopment areas.
Maximum Sales Price	The maximum allowable sales price of the assisted unit cannot exceed the HUD 203(b) mortgage limit for the area which is currently \$580,000.
First-Time Homebuyer	The applicant must be a first-time homebuyer which means a borrower(s) who has not owned a home during the three-year period before the purchase of a home with CalHome assistance.
Displaced Homemakers	The CalHome Section 7716(m) contains a provision for displaced homemakers, single parents, and individuals who have owned mobile homes to be considered eligible for the program.
Household Income	The CalHome borrower household must have a gross annual income not exceeding 80 percent of County median income for the size of the household. Income also includes

income from assets over \$5,000 calculated at two and one half percent of the value of the asset. As of February 13, 2008 the limits are:

Household Size	80 percent of Area Median
1-person	\$39,750
2-person	\$45,450
3-person	\$51,100
4-person	\$56,800
5-person	\$61,350
6-person	\$65,900

Eligibility vs.
Lender Income

For program eligibility, the total annual income includes income from all adult members of the household.

For underwriting purposes, the lender shall use standard industry methods for determining the borrower's annual gross income. Note that the gross income figure calculated for income-eligibility purposes may vary substantially from the annual income a lender will use to underwrite the first mortgage.

Housing Debt Ratio

Monthly housing costs shall be no less than 28 percent of the borrower's gross monthly income and no more than 35 percent of the borrower's gross monthly income. However, with compensating factors the housing costs can exceed 35 percent, but not 40 percent. The total debt ratio may be determined by the lender's underwriting guidelines. On FHA insured loans, ratios are 29/41. These cannot be exceeded unless there are significant compensating factors.

Underwriting

The first mortgage lender will perform the underwriting using established credit guidelines for the particular program. The Agency will provide oversight of this function and may require credit explanations or payoff of collections if deemed necessary and prudent.

There may be no outstanding unpaid judgments or involuntary liens at the time the CalHome loan is recorded.

First Mortgage Restrictions Borrower shall obtain the maximum first lien mortgage loan with a term and interest rate from a mortgage lender consistent with affordable housing costs outlined above.

The term of the loan shall be 30 years. Mortgage loans shall not include provisions for negative amortization, principal increases, balloon payments, temporary interest rate buydowns or deferred interest. The first mortgage may be an FHA loan, conventional loan, or CalHFA financing.

Fees and charges to the borrower for the first mortgage loan shall be reasonable and must be approved by the CalHome lender.

The first mortgage lender is required to collect and manage impound accounts for payment of taxes, assessments and hazard insurance according to the lender's requirements.

Escrow Prohibitions

Cash transactions and oral agreements outside of escrow are prohibited. Cash out of escrow to the borrower is limited to the amount deposited into escrow by the borrower and not needed for any lender-required minimum downpayment.

Homebuyer Education

The CalHome homebuyer must attend homebuyer education classes. The homebuyer education requirement may be met by taking the following classes:

Sacramento Home Loan Counseling Center

- Course 1 –The Home Buying Process
- Course 2 – Credit & Money Management
- OR Course 3 - Home Maintenance/Good Neighbor;

OR

NeighborWorks Homeownership Center

- Preparing for Homeownership – 8 hour course

Qualified Census Tracts

The "qualified census tracts" are:

0005.00, 0006.00, 0007.00, 0010.00, 0011.00, 0012.00, 0018.00, 0020.00, 0021.00, 0022.00, 0027.00, 0028.00, 0032.01, 0036.00, 0037.00, 0041.00, 0042.02, 0042.03, 0043.00, 0044.01, 0044.02, 0045.00, 0048.01, 0049.03, 0049.05, 0052.01, 0053.00, 0055.02, 0062.02, 0063.00, 0064.00, 0065.00, 0066.00, 0067.02, 0068.00, 0069.00, 0070.01.

Redevelopment Areas

Alkali Flat, Army Depot, Del Paso Heights, Franklin Blvd., North Sacramento, Oak Park, Stockton Blvd., and 65th Street Redevelopment Areas. Please see the SHRA web site at www.shra.org, or call for maps of these areas.

Application Procedure

To apply for the program, please contact any of the lenders on the attached list. For additional information or questions call (916) 264-1500, or visit our web site at www.shra.org.





Fact Sheet

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CalHome Owner-Occupied Rehabilitation Program 2008 CONTRACT PROGRAM GUIDELINES

CalHome Program	The CalHome Owner-Occupied Rehabilitation loan is a deferred payment home improvement loan designed for low-income homeowners whose homes are in need of repair. This includes single-family homes as well as manufactured (or mobile) homes.
Minimum Loan Amount	\$ 10,000 – single family dwellings \$ 2,000 – manufactured housing
Maximum Loan Amount	The maximum loan shall not exceed the required amount of assistance needed to fund costs associated with eligible improvements, but will not exceed: \$54,000 – single-family dwellings \$25,000 – manufactured housing
Interest Rate	Three percent fixed rate, simple. Principal and interest payments shall be deferred for the term of the loan.
Maximum CLTV	The loan-to-value ratio for an owner-occupied rehabilitation loan, when combined with all other indebtedness shall not exceed 100 percent of the after-rehabilitation value for single-family homes and 90 percent of the after-rehabilitation value for manufactured housing. No financing, junior or senior to the CalHome loan, may have a balloon payment due before the maturity date of the CalHome loan.
Maximum Total Debt Ratios	Not applicable
Credit Standards	Per Agency Credit Matrix and Underwriting Guidelines
Term	20 years – single family dwellings 20 years forgivable loan – manufactured housing (located in a mobilehome park and not permanently affixed to a foundation).
Refinancing	Refinancing may be allowed subject to Agency subordination policy. Refinancing will not be allowed on manufactured housing.

Repayment Loans shall be repayable upon sale or transfer of the property, when the property ceases to be owner-occupied, or upon the CalHome Program Loan maturity date.

Hardship
Single Family Dwellings However, if it is determined by the Agency that repayment of the CalHome Program loan at the maturity date would cause a hardship to the borrower, the borrower may have two options:

(A) Amending the note and deed of trust to defer repayment of the amount due at loan maturity, that is the original principal and accrued interest, for up to an additional 30 years (at zero percent additional interest). This may be offered one time, or

(B) Converting the debt at loan maturity, that is the original principal balance and any accrued interest to an amortized loan, repayable in 15 years at zero percent additional interest.

Forgivable Loan
Manufactured Housing
Only The loan shall be due and payable in 20 years, with 10 percent of the original principal and accrued interest to be forgiven annually for each year beyond the 10th year that the home is owned and continuously occupied by the borrower.

Eligible Applicants Owner-occupants of single-family homes or manufactured housing in the City and County of Sacramento who are defined as low-income households based on 80 percent of the area median. As of February 13, 2008, the eligible income figures are:

Household Size	Maximum Income
1-person	\$39,750
2-person	\$45,450
3-person	\$51,100
4-person	\$56,800
5-person	\$61,350
6-person	\$65,900

Eligible Properties Single-family homes or manufactured homes in eligible areas of the City and County of Sacramento, whose after rehabilitation value does not exceed the HUD 203 (b) mortgage limit for the area which is currently \$580,000.

Eligible Areas In the City of Sacramento, the CalHome Program is limited to properties located in "qualified census tracts" and/or redevelopment areas. Please see below for list of "qualified census tracts" and Agency redevelopment areas. In the County, the CalHome program is available only within the unincorporated areas of the County. The program is not

available in Citrus Heights, Elk Grove, Galt, Folsom, Isleton, or Rancho Cordova.

Reuse Account

When CalHome loans are repaid, the funds are deposited into a "CalHome Reuse Account". Loans funded from this reuse account are not limited to properties in qualified census tracts or redevelopment areas.

Eligible Repairs

Funds may be used to finance real property improvements that substantially protect or improve the basic livability or utility of the single-family property. Improvements must meet the Agency Property Rehabilitation Standards. General property improvements (GPI) may be included subject to the limitations of the Agency Property Rehabilitation Standards. Rehabilitation includes reconstruction and room additions to prevent overcrowding.

Repairs on manufactured homes include any repairs and improvements necessary to correct any condition causing the home to be substandard pursuant to CCR, Title 25, Section 1704. Improvements must meet the Agency Property Rehabilitation Standards.

Qualified Census Tracts

The "qualified census tracts" are: 0005.00, 0006.00, 0007.00, 0010.00, 0011.00, 0012.00, 0018.00, 0020.00, 0021.00, 0022.00, 0027.00, 0028.00, 0032.01, 0036.00, 0037.00, 0041.00, 0042.02, 0042.03, 0043.00, 44.01, 044.02, 0045.00, 0048.01, 0049.03, 0049.05, 0052.01, 0053.00, 0055.02, 0062.02, 0063.00, 0064.00, 0065.00, 0066.00, 0067.02, 0068.00, 0069.00, 0070.01.

Redevelopment Areas

Alkali Flat, Army Depot, Del Paso Heights, Franklin Blvd., North Sacramento, Oak Park, Stockton Blvd., and 65th Street Redevelopment Areas. Please see the SHRA web site at www.shra.org, or call for maps of these areas.

Application Procedure

Contact our office for an application. A written loan application must be submitted to our office to start the application procedure. For additional information, please call (916) 264-1500, or visit our web site at www.shra.org



Equal Housing Opportunity

