



REPORT TO CITY COUNCIL
City of Sacramento

915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org

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Consent
June 17, 2014

Honorable Mayor and Members of the City Council

Title: Approval of 2014 CalHome Application for First-Time Homebuyer Mortgage Assistance

Location/Council District: Citywide

Issue: This report requests authority to apply and implement CalHome Program funding in response to the Notice of Funding Availability (NOFA) recently announced by the California Department of Housing and Community Development.

Recommendation: Adopt a Council Resolution authorizing the Sacramento Housing and Redevelopment Agency (Agency) through its Executive Director to: 1) submit an application to the California Department of Housing and Community Development in the amount of \$1,500,000 for funding under the CalHome program; 2) execute a Standard Agreement for such funding and execute any related documents necessary to participate in the CalHome Program, and any amendments thereto; 3) adopt local CalHome First-Time Homebuyer Mortgage Assistance Program Guidelines; and 4) amend the Agency Budget to receive and expend the \$1,500,000 in CalHome funding for the First-Time Homebuyer Mortgage Assistance Program.

Contact: Christine Weichert, Assistant Director, Development Finance, 440-1353
Susan Perry, Supervisor, Portfolio Management and Homeownership, 440-1386

Presenters: Not applicable.

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: The California Department of Housing and Community Development (HCD) announced a NOFA for the CalHome Program on April 29, 2014. Applications under the NOFA are due to HCD no later than July 10, 2014. 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 use in a homebuyer assistance program. Funding from this program will assist

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40-45 low-income homebuyers to purchase their first home in targeted areas of the City.

Background: The Sacramento Housing and Redevelopment Agency (Agency) has administered the CalHome Program on behalf of the City since 2001. With this program the Agency has assisted over 200 low-income homebuyers in the City to purchase their first home. HCD awards CalHome grants to eligible organizations for activities that support homeownership programs aimed at low and very-low income households. In the recently announced NOFA, the maximum application amount for jurisdictions with a population in excess of 400,000 is \$1,500,000.

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 assistance will be calculated at 20% of the purchase price, and can range from a minimum amount of \$10,000 to a maximum amount of \$40,000. The program imposes housing ratio guidelines to ensure the home being purchased is affordable to the homebuyer. Please see Exhibit A to the resolution, CalHome First-Time Homebuyer Mortgage Assistance Program Guidelines, for the Agency's proposed program guidelines.

Program Targeting: The Agency's application to HCD for 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 application restricts the program to federally defined qualified census tracts. Due to the need to increase homeownership in these areas, the limited number of homebuyers that can be assisted with CalHome funds, and to make our application more competitive, staff recommends that the program be targeted to the qualified census tracts in the City. Please see Attachment 3, CalHome Target Area Map.

Policy Considerations: The actions requested in this report will allow the Agency to apply for CalHome Program funds to use in a First-Time Homebuyer Mortgage Assistance program and is consistent with Agency policies to increase homeownership opportunities. The CalHome First-Time Homebuyer Mortgage Assistance program will result in 40-45 additional homeowners in the City, contributing to goals in the City's 2014-2021 Housing Element.

Economic Impacts: Not applicable.

Environmental Considerations:

California Environmental Quality Act (CEQA): The proposed action consists of an application to create or use a government funding mechanism, which is a financing mechanism, to provide purchasing assistance to low-income homebuyers for purchase of existing single family homes. The action does not commit to any specific project which

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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).

Sustainability Considerations: Not applicable.

Other: The National Environmental Policy Act (NEPA) does not apply.

Commission Action: At its meeting June 4, 2014, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolutions. The votes were as follows:

AYES: Alcalay, Chan, Creswell, Griffin, Johnson, Macedo, Morgan, Morton, Raab, Stivers

NOES: None

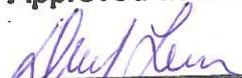
ABSENT: Le Duc

Rationale for Recommendation: A successful CalHome application would provide funding for homebuyer assistance for 40-45 low-income homebuyers in targeted areas of the City, increasing the level of homeownership in community revitalization areas.

Financial Considerations: The CalHome application will be in the amount of \$1,500,000. The program includes an Activity Delivery Fee of approximately six (6) percent of the grant amount, which is an offset to Agency staffing costs incurred in administering the CalHome Program. Loan repayments revolve into a CalHome reuse account which is used to fund future Agency loan programs for CalHome eligible activities.

M/WBE and Section 3 Considerations: The items discussed in this staff report do not involve federal funding; therefore, there are no M/WBE or Section 3 requirements.

Approved as to form:



Agency Counsel

Respectfully Submitted by:



LA SHELLÉ DOZIER
Executive Director

APPROVED AS TO FORM:



CITY ATTORNEY

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RESOLUTION NO. 2014 -

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; RELATED BUDGET AMENDMENT; ENVIRONMENTAL FINDINGS

BACKGROUND

- A. The City of Sacramento, a California Municipal Corporation, wishes 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 50650) 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 of Sacramento, through its related entity, the Sacramento Housing and Redevelopment Agency, ("Agency") wishes to submit an application to HCD in the amount of \$1,500,000 for an allocation of CalHome funds to provide assistance to low-income homebuyers for purchase of single family homes.
- 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 existing single family homes. 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. All evidence presented having been duly considered, the background facts, as stated above, including the environmental determination, are found to true and correct.
- Section 2. The City of Sacramento delegates to the Agency the authority to submit an application to HCD on behalf of and in the name of the City to participate in the CalHome Program in response to the NOFA issued on April 29, 2014 for a funding allocation of \$1,500,000 for First-Time Homebuyer Mortgage Assistance in targeted areas in the City of Sacramento as described in the Guidelines.
- Section 3. If the application for funding is approved, the City delegates authority to the Agency to receive funding from HCD on behalf of and in the name of the City and to administer the CalHome funds for eligible activities in the manner presented in the application as approved by HCD and in accordance with program regulations cited above and the Guidelines.
- Section 4. The City authorizes the Agency to execute, on behalf of itself and the City, the application, the HCD Standard Agreement, and any and all other documents necessary or required by HCD for participation in the CalHome Program, as currently established in the applicable law and regulations, and any amendments thereto.
- Section 5. The City adopts the CalHome First-Time Homebuyer Mortgage Assistance Program Guidelines, as described in Exhibit A (the "Guidelines"). The Agency may make technical changes to the Guidelines as necessary for program implementation and compliance with the CalHome Program.
- 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 Program.

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Exhibit A – CalHome First-Time Homebuyer Program Guidelines



Fact Sheet

801 12TH STREET • SACRAMENTO, CA 95814 (916) 440-1393

CalHome First-Time Homebuyer Mortgage Assistance Program 2014 CONTRACT PROGRAM GUIDELINES

CalHome Program	Sacramento Housing and Redevelopment Agency (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 down payment assistance.
Maximum Loan Amount	The maximum loan shall not exceed the required amount of assistance needed to make the unit affordable to the homebuyer. The assistance will be calculated as follows:
Calculation of Assistance	The amount of assistance will be calculated at 20 percent of the purchase price up to a maximum loan amount of \$40,000. Minimum loan amount will be \$10,000.
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 and mortgage assistance.
Applicant Eligibility First-Time Home Buyer	The applicant must be a first-time homebuyer which means a borrower(s) who has not owned a home during the three-year period prior to the purchase of a home with CalHome assistance. Applicant's Federal income tax returns will be used to verify compliance. The CalHome Regulation Section 7716(m) contains a provision for individuals who meet the definition of a displaced homemaker or single parent, or individuals who have owned a mobile home not permanently affixed to a permanent foundation to be considered eligible for the program.
Applicant Eligibility Household Income	The qualifying income of CalHome applicant household must not exceed 80 percent of County median income for the size of the household. As published by HCD on February 28, 2014, the eligible income limits are:

Household Size	80 percent of County median
1-person	\$42,650
2-person	\$48,750
3-person	\$54,850
4-person	\$60,900
5-person	\$65,800
6-person	\$70,650

Household size is determined by applicant declaration as to household size, with supporting documentation such as tax returns.

Qualifying Income Qualifying income is calculated by totaling gross income for all persons 18 years of age or older who will occupy the residence. The income is annualized forward over a twelve-month period. Income includes all salaries, wages, overtime and bonuses before payroll deductions. It also includes earnings from interest on savings and checking accounts, dividends, the full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, public assistance, alimony, child support or regular gifts. Interest income, actual or imputed, from assets over \$5,000 will be included in qualifying income.

Eligibility vs. Lender Income For program eligibility, the total annual income includes income of 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 With the CalHome assistance, the homebuyer's monthly housing costs are to be affordable as evidenced by a monthly housing cost ratio of no less than 28 percent of the borrower's gross monthly income and no more than 38 percent of the borrower's gross monthly income. The total debt ratio may be determined by the lender's underwriting guidelines.

For FHA insured loans, the maximum homebuyer 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 mortgage program as determined by industry standards. The Agency will review the first mortgage underwriting as part of its eligibility analysis for the CalHome assistance and may require credit explanations or payoff of collection accounts if deemed necessary and prudent. Prior bankruptcies or foreclosures may be permitted with evidence of reestablished credit if allowed by lender's credit guidelines.

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 a minimum of 30 years.

Mortgage loans shall not include provisions for negative amortization, principal increases, balloon payments or deferred interest. Adjustable

Rate Loans (ARM's) and Graduated Payment Loans (GPM's) are not allowed. Interest rate buy downs are not allowed.

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.

Subordinate Financing to the CalHome Loan

Homebuyer mortgage assistance loans subordinate to the CalHome Program Loan are allowed provided the combined loan-to-value ratio does not exceed 100 percent of the sales price plus a maximum of up to five percent of the sales price to cover actual non-recurring closing costs.

Subordinate financing loans shall defer all principal and interest payments for the term of the CalHome Program loan. No balloon payments are allowed prior to the maturity date of the CalHome loan.

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 down payment. Borrower costs "Paid Outside Closing" are not reimbursable with cash out of escrow.

Eligible Properties
Maximum Sales Price

Single family residences (including condominiums and half-plexes) in eligible areas of the City and unincorporated County of Sacramento. The property must meet minimum housing quality standards. An Agency inspection will be required.

The maximum allowable sales price of the assisted unit cannot exceed the current median sales price of a single family home in Sacramento County as published by a real estate research company, such as DataQuick. The current median sales price for Sacramento County is \$245,000.

Eligible Areas

In the City of Sacramento, the CalHome Program is limited to properties located in "qualified census tracts".

In the County of Sacramento, the CalHome Program is available only within the unincorporated areas and is limited to properties located in "qualified census tracts". The program is not available in Citrus Heights, Elk Grove, Galt, Folsom, Isleton, or Rancho Cordova.

See below for the list of "qualified census tracts".

Qualified Census Tracts - City

The "qualified census tracts" are: 0005.00, 0006.00, 0007.00, 0011.01, 0018.00, 0020.00, 0022.00, 0027.00, 0028.00, 0032.02, 0032.03, 0032.04, 0037.00, 0041.00, 0042.02, 0042.03, 0043.00, 0044.01, 0044.02, 0045.01, 0045.02, 0046.01, 0048.01, 0048.02, 0049.03, 0049.05, 0050.02, 0052.01, 0052.05, 0053.01, 0055.02, 0055.05, 0062.02, 0063.00, 0064.00, 0065.00, 0066.00, 0067.02, 0068.00, 0070.01, 0070.19, 0074.13, 0092.01, 0096.06, 0096.33

Qualified Census Tracts - County

The "qualified census tracts" are: 0044.01, 0044.02, 0045.01, 0045.02, 0046.01, 0046.02, 0047.01, 0048.01, 0048.02, 0050.02, 0052.05, 0055.02, 0055.05, 0055.06, 0055.09, 0056.01, 0056.05, 0061.01, 0062.01, 0062.02, 0070.19, 0073.01, 0074.13, 0074.14, 0074.23, 0074.24, 0081.33, 0091.05, 0091.10, 0092.01

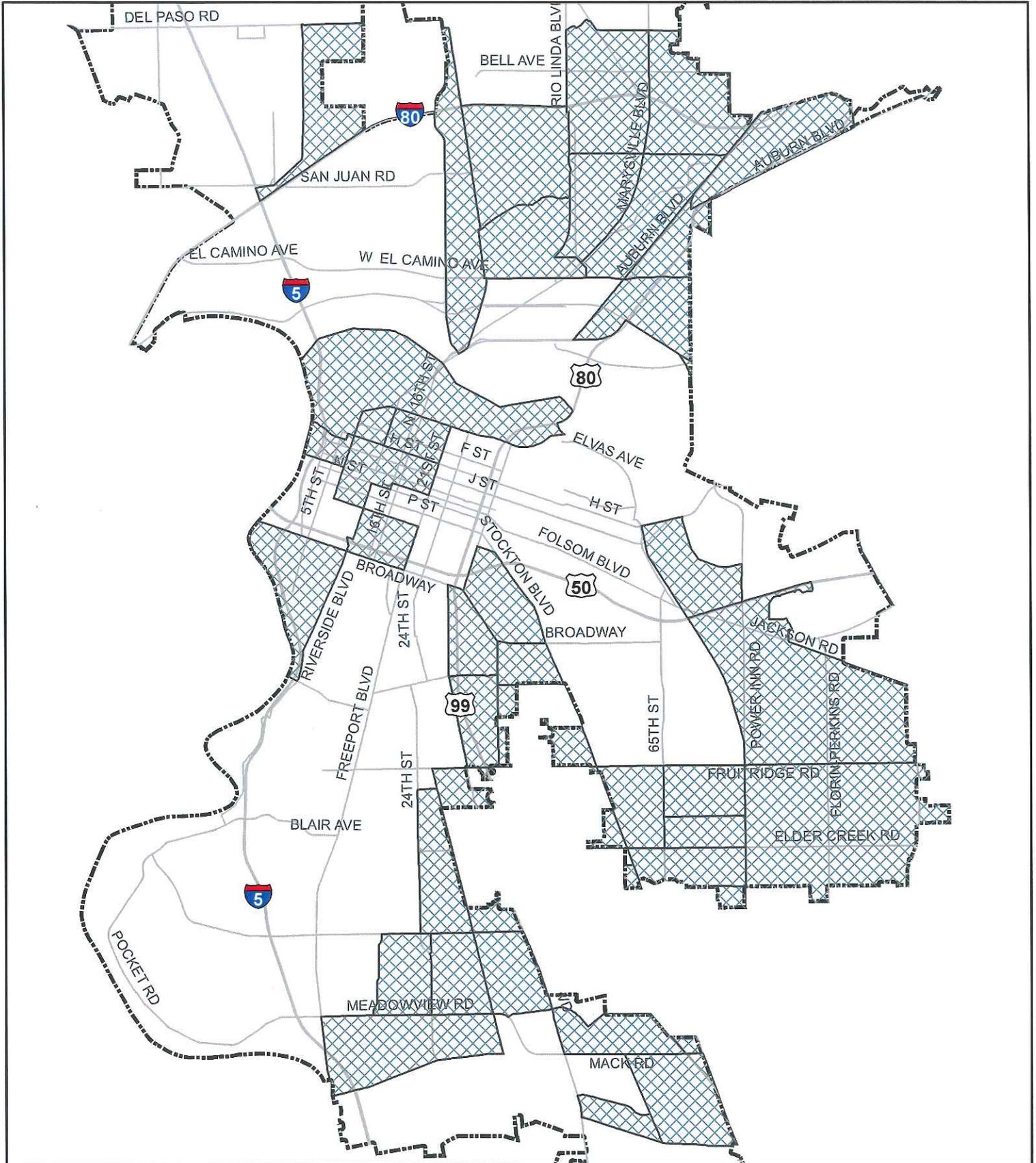
Repayment of CalHome Loan	Loans shall be repayable upon sale or transfer of the property, when the property ceases to be owner-occupied, or upon the CalHome Program Loan maturity date.
Hardship	<p>However, if it is determined by the recipient that repayment of the CalHome Program loan at the maturity 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>
Refinancing	Refinancing may be allowed subject to the provisions of the Agency loan servicing /subordination policy. In general, "cash out" refinancing is prohibited by Agency policy.
Reuse Account	When CalHome loans are repaid, the funds are deposited into a "CalHome Reuse Account". Loans funded from this reuse account will conform to the current Agency CalHome Program guidelines.
Homebuyer Education	<p>All CalHome homebuyers must attend an in-person 8 hour HUD approved course of homebuyer education classes. The homebuyer education requirement may be met by taking the following classes:</p> <p>Sacramento Home Loan Counseling Center</p> <ul style="list-style-type: none"> • Course 1 –The Home Buying Process • Course 2 – Credit & Money Management • Course 3 - Home Maintenance/Good Neighbor; OR <p>NeighborWorks Homeownership Center – Sacramento or Stockton offices</p> <ul style="list-style-type: none"> • Preparing for Homeownership – 8 hour course
Application Procedures	To apply for the program, please contact any of the lenders on the Agency Approved Lender List. For additional information or questions call (916) 440-1393, or visit our web site at www.shra.org .



Equal Housing Opportunity



CalHome Target Area - City



City of Sacramento

CalHome Census Tract 2010 - City



SHRA GIS
May 21, 2014