RESOLUTION NO. 2005-686

Adopted by the Sacramento City Council

September 20, 2005

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

BACKGROUND

A. The City of Sacramento (City), 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 Alaron), 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 on August 15, 2003; 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 $1,000,000.

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

Section 1. The City hereby 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, which will request a funding allocation to support existing homeownership programs in the City of Sacramento for low-and very low-income households.

Section 2. 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 City's CalHome funds, which shall be applied to the following eligible activities within the City of Sacramento in areas as described in the staff report, in not more than the following amounts:

- Owner-Occupied Rehabilitation $400,000
- First-Time Homebuyer Mortgage Assistance $600,000

The maximum aggregate application amount for all activities is $1,000,000.

Section 3. If the application for funding is approved, the City authorizes the Agency to execute, on behalf of the City and in the name of the City or Agency as HCD requires, all instruments necessary or required by HCD for participation in the CalHome Program, as currently established in the applicable law and regulations.

Section 4. The City adopts the CalHome Owner-Occupied Rehabilitation Program Guidelines, as described in Attachment I to the staff report, and the CalHome First-Time Homebuyer Mortgage Assistance Program Guidelines, as described in Attachment II to the staff report. The Agency is obligated to comply with these Guidelines in administration of the CalHome Program funding on behalf of the City, and the Agency may make technical and changes to these Guidelines as necessary for program implementation in compliance with the applicable law and regulations.

Section 5. If the application for funding is approved, the Agency's 2005-06 Budget is hereby amended to incorporate the CalHome funding for Owner-Occupied Rehabilitation and the First-Time Homebuyer Mortgage Assistance in the amounts approved by HCD.

Table of Contents:
Exhibit A:

Adopted by the City of Sacramento City Council on September 20, 2005 by the following vote:

Ayes: Councilmembers Cohn, Hammond, McCarty, Pannell, Sheedy, Tretheway, Waters and Mayor Fargo.

Noes: None

Abstain: None

Absent: Fong

Heather Fargo
Mayor Heather Fargo

Attest:

Shirley Concolino

Shirley Concolino, City Clerk

Attachment I

Fact Sheet

Sacramento Housing & Redevelopment Agency

1013-7th STREET • Suite 200 • SACRAMENTO, CA 95814 (916) 264-1500

CalHome Owner-Occupied Rehabilitation Program
2004 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:	$50,000 – single-family dwellings $25,000 – manufactured housing
Interest Rate:	3.00 percent fixed rate, simple. Principal and interest payments shall be deferred for the term of the loan. 0 percent for single family properties which are located in Agency Target Areas with existing Target Area Program.
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 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

1013-7th STREET • Suite 200 • SACRAMENTO, CA 95814 (916) 264-1500

CalHome First-Time Homebuyer Mortgage Assistance Program

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.

Minimum Loan Amount:	$ 5,000
Maximum Loan Amount:	$50,000. The maximum loan shall not exceed the required amount of subsidy needed to make the unit affordable to the homebuyer and to pay non-recurring closing costs.
Interest Rate:	3.00 percent fixed rate, simple. Principal and interest shall be deferred for the term of the loan.
Term:	30 years
Maximum 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.
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: 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:

(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 0% 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 0 percent additional interest.

Eligible Properties: The home must be located in eligible areas which are defined as "qualified census tracts" and/or redevelopment areas in the City and County of Sacramento. Please see following page for list of "qualified census tracts" and Agency redevelopment areas.

Unincorporated Areas: 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.

Maximum Sales Price: The maximum allowable sales price of the assisted unit cannot exceed the current median sales price of a single family home in Sacramento County which is currently $380,000 based upon the Sacramento Association of Realtors.

First-Time Homebuyer: The applicant must be a first-time homebuyer which means a borrower 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 2.5 percent of the value of the asset. As of February 11, 2005 the limits are:

1-person	$35,900
2-person	$41,000
3-person	$46,150
4-person	$51,300
5-person	$55,400
6-person	$59,500

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: Monthly housing costs shall be no less than 28 percent of the borrower's gross monthly income and no more than 35 percent. 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 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 or deferred interest. The first mortgage may be an FHA loan, conventional loan, or CHFA 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
- Course 3 - Home Maintenance/Good Neighbor;

OR

Sacramento Neighborhood Housing Services

- Preparing for Homeownership
- "My Home" Workshop

Qualified Census Tracts: City and County

The "qualified census tracts" are:

0005.00, 0006.00, 0007.00, 0010.00, 0011.00, 0012.00, 0014.00, 0018.00, 0020.00, 0022.00, 0027.00, 0028.00, 0032.01, 0036.00, 0037.00, 0041.00, 0042.02, 0042.03, 0043.00, 0044.01, 044.02, 0046.01, 0046.02, 0048.01, 0049.03, 0049.05, 0050.02, 0051.03, 0052.01, 0053.00, 0055.02, 0062.02, 0063.00, 0064.00, 0065.00, 0066.00, 0067.02, 0068.00, 0069.00, 0070.01, 0074.04, 0074.10, 0088.00, 0091.10.

Redevelopment Areas: City and County

North Sacramento, Oak Park, Del Paso Heights, Alkali Flat, Army Depot, Franklin Blvd., Stockton Blvd., and 65th Street Redevelopment Areas. Please 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.

Equal Housing Opportunity