



**Sacramento
Housing &
Redevelopment
Agency**

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

CONSENT
April 25, 2006

Honorable Mayor and
Members of the City Council

Subject: BEGIN PROGRAM APPLICATIONS

Location/Council District: Citywide

Recommendation:

Staff recommends adoption of the attached resolution on pages 6 and 7 which authorizes the Executive Director or her designee to:

- submit applications to the California Department of Housing and Community Development (HCD) for funding under the Building Equity and Growth in Neighborhoods Program (BEGIN);
- execute Standard Agreements and all related documents necessary to participate in the BEGIN Program;
- adopt the BEGIN Program Guidelines as adopted as amended by HCD on February 14, 2006 shown as Attachment I;
- adopt local BEGIN Mortgage Assistance Underwriting Guidelines for administration of the program shown as Attachment II; and
- amend Agency Budget as funds are awarded.

Contact:

Carla Christian, Program Manager, 264-1524
Larry Goins, Director of Program Operations, 440-1314

Presenters: Not applicable

Department: Sacramento Housing and Redevelopment Agency

Summary:

This staff report requests authorization for the Sacramento Housing and Redevelopment Agency (Agency) to apply to the California Department of Housing and Community Development for funding under the BEGIN Program. This report also requests authorization to execute Standard Agreements along with any other

BEGIN PROGRAM APPLICATIONS

documents related to the BEGIN Program, adopt BEGIN Program Guidelines, and to adopt local BEGIN Mortgage Assistance Underwriting Guidelines.

Committee/Commission Action:

At its meeting on April 5, 2006, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution. The votes were as follows:

AYES: Burns, Burruss, Coriano, Gale, Gore, Hoag, Piatkowski, Shah, Simon, Stivers.

NOES: None.

ABSENT: Fowler.

Background Information:

The California Department of Housing and Community Development recently announced a Notice of Funding Availability (NOFA) for funding under the BEGIN Program. The BEGIN Program is a homeownership program designed to make grants to qualifying cities and counties that provide incentives or reduce or remove regulatory barriers for housing developments. These grants shall be used for downpayment assistance in the form of loans to qualifying low-and moderate- income first-time homebuyers purchasing newly constructed homes in a BEGIN project.

The primary intent of BEGIN is to encourage the reduction or removal of regulatory barriers that significantly increase the cost and viability of housing development. Examples of regulatory relief and project enhancements include: modification of density standards; modification of zoning standards; reduction in permit processing/regulatory costs/fees; flexible parking standards; and project design.

The City has been successful in obtaining BEGIN funds for the following projects:

1. Capitol Lofts \$600,000
2. Surreal Estates - \$330,000
3. Power Inn Road Project - \$1,050,000
4. Rio Linda/Nogales Project - \$315,850

BEGIN Projects

To be eligible for BEGIN funding, the project must demonstrate some form of regulatory relief. Projects being considered for BEGIN applications would include Del Paso Nuevo Phase IV with 41 units Phase V with 48 units. A BEGIN project must be ready for homebuyer occupancy within 36 months of the awards of funds. At application time, the project must demonstrate this level of readiness:

1. Site Control: The developer shall have site control of the proposed project property.
2. Development project budget with identified sources and uses. (2)

BEGIN PROGRAM APPLICATIONS

This staff report requests authority for the Agency to submit applications for funding under the BEGIN program as soon as projects demonstrate readiness.

Homebuyer Assistance

The BEGIN assistance is in the form of a deferred payment loan to the homebuyers up to \$30,000, or 20 percent of the home sales price whichever is less. BEGIN Program borrowers must be low-or moderate-income households whose incomes shall not exceed 120 percent of the area median income, adjusted for family size. Homebuyers must also be first-time buyers as defined in the BEGIN Program Guidelines. Please refer to Attachment II BEGIN Mortgage Assistance Underwriting Guidelines for more information.

Financial Considerations:

This staff report requests authorization to apply for, and accept, funding under the BEGIN program on various BEGIN eligible projects. The amount of each application will depend upon the number of BEGIN units in the project (\$30,000 per unit). The BEGIN funds are grants to the City that will eventually revolve into a reuse account for new loans.

Because the BEGIN Program does not provide funding to the Recipient for administrative expenses, the BEGIN Mortgage Assistance Underwriting Guidelines provide for a BEGIN Program fee not to exceed two and one half percent of the BEGIN loan amount of \$30,000 or \$750. These Guidelines also provide for a BEGIN Commitment Fee from the developer. In order to secure the BEGIN funding for the identified project, the developer shall pay the Agency a commitment fee of two percent of the total BEGIN funds to be allocated to the project.

Environmental Considerations:

The proposed action consists of creation of a government funding mechanism which 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. NEPA does not apply because no federal funding or approval is required.

Policy Considerations:

The actions in this staff report are consistent with Agency goals of providing affordable housing opportunities to low- and moderate- income homebuyers.

M/WBE Considerations:

Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding.

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RESOLUTION NO. 2006 –

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF

AUTHORIZATION FOR SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY TO APPLY FOR, ACCEPT, AND ADMINISTER THE BUILDING EQUITY AND GROWTH IN NEIGHBORHOODS (BEGIN) PROGRAM IN THE NAME OF AND ON BEHALF OF THE CITY OF SACRAMENTO

BACKGROUND

- A. The California Department of Housing and Community Development ("HCD") has issued a Notice of Funding Availability ("NOFA") for the BEGIN program established by Chapter 14.5, Sections 50860 through 50866 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 BEGIN program, subject to the terms and conditions of the statute and the BEGIN Program Guidelines adopted as amended by HCD on February 14, 2006.
- B. The City of Sacramento, a political subdivision of the State of California wishes to apply for and receive allocations of funds through the BEGIN Program.
- C. The City, by its agent, the Sacramento Housing and Redevelopment Agency, ("Agency") wishes to submit applications to obtain from HCD allocations of BEGIN funds.

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

- Section 1. On behalf of and in the name of the City of Sacramento, the Sacramento Housing and Redevelopment Agency is hereby authorized and directed to submit applications to HCD for the BEGIN Program in response to the NOFA.
- Section 2. The Sacramento Housing and Redevelopment Agency is authorized to receive funding from HCD in the name of the City and to administer the BEGIN program on behalf of the City.
- Section 3. The Sacramento Housing and Redevelopment Agency is authorized to execute, on behalf of the City, HUD's Standard Agreement and all other instruments necessary or required by HCD for participation in the BEGIN Program, as currently established in the applicable law and regulations.
- Section 4. The BEGIN Program Guidelines established by HCD on February 14, 2006 and as described in Attachment I. (6)

- Section 5. The local BEGIN Mortgage Assistance Underwriting Guidelines for use in administering the BEGIN program and as described as Attachment II of the accompanying staff report are hereby adopted.
- Section 6. The City hereby authorizes amendment of the Agency's annual Budget as it receives awards of BEGIN grant program awards.

State of California
Department of Housing and Community Development
Division of Community Affairs
CalHome Program

BEGIN
Building Equity and Growth in Neighborhoods
Program Guidelines - 2006

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Article 1. General

Section 100. Purpose and Scope

- (a) The BEGIN Program and the Guidelines for the BEGIN Program set forth herein (the "Guidelines") are subject to the requirements of Health and Safety Code section 50860 et seq. (the "BEGIN Program Statutes") and except as provided in the BEGIN Program Statutes, the CalHome statutes at Health and Safety Code section 50650 et seq. (the "CalHome Statutes") and the CalHome Regulations at California Code of Regulations, title 25, section 7715 et seq. (the "CalHome Regulations"). Should there be an inconsistency between the Guidelines and the aforementioned authority, the BEGIN Program Statutes, CalHome Statutes, and CalHome Regulations, except as provided in the BEGIN Program Statutes, shall prevail.
- (b) Health and Safety Code section 50865 reads in part: The department may administer the BEGIN Program through Guidelines.
- (c) These Guidelines implement and interpret the provisions of Chapter 14.5, Sections 50860 through 50866 of Part 2 of Division 31, Health and Safety Code, which establishes and describes the Building Equity and Growth in Neighborhoods (BEGIN) program. Health and Safety Code section 50860 subdivision (b) states:

Except as otherwise provided in this chapter, moneys in the BEGIN Fund shall be made available upon appropriation by the Legislature to the department and administered by the department pursuant to the CalHome Program (Chapter 6 (commencing with Section 50650), to make grants to qualifying cities, counties, or cities and counties that provide incentives or reduce or remove regulatory barriers as set forth in this chapter. These grants shall, except as otherwise provided by this chapter, be used for downpayment assistance to qualifying first-time home buyers of low- and moderate-incomes purchasing newly constructed homes in a BEGIN project.

- (d) These Guidelines establish terms, conditions and procedures for the award and disbursement of funds allocated to this program by the Housing and Emergency Shelter Trust Fund Act of 2002 pursuant to subdivision (b) above.

Section 101. Program Description – An Overview

The enabling BEGIN legislation (AB 1170, Chapter 724 of the laws of 2002) states that “while land prices in California are a key contributor to the state’s low housing affordability, permitting and regulatory cost add significant costs to new housing construction.”

“The Legislature further finds and declares that a combination of lowering regulatory costs and increasing purchasing power for low- and moderate-income households, primarily through downpayment assistance, will significantly increase home ownership rates in California.”

The BEGIN program is designed to foster partnerships between cities, counties, cities and counties, and housing developers joining together to reduce the cost and increase the supply of new homeownership opportunities for low- and moderate-income households. The local jurisdiction’s role is to offer specific forms of regulatory relief, regulatory barrier removal or incentive to identified BEGIN projects that reduces the per-unit cost of the housing. The developer’s role is to commit to making homeownership units available at an affordable price to low- and moderate-income households.

The Department’s role is to supply the grant funds to the local jurisdiction so they can make downpayment assistance loans to the first-time, low- and moderate-income homebuyers.

Project Specific

The funds awarded to the local jurisdiction under these Guidelines are to be used to assist low- and moderate-income, first-time homebuyers to purchase a new homeownership unit in a BEGIN project. A BEGIN project is a proposed homeownership development which is identified by the applicant jurisdiction as the recipient of BEGIN regulatory barrier removal or development incentive. The BEGIN project can be part of a larger development, or a stand-alone project. Other BEGIN project requirements can be found in section 113, 114, 115, and 116.

Mortgage Assistance

To qualify to receive a loan of BEGIN funds, the buyer must be a low- or moderate-income first-time homebuyer household (see Section 102, Definitions). The assistance to the homebuyer will be in the form of a deferred payment loan with a 30 year term and 1% – 3% deferred simple interest. The maximum amount of the loan is \$30,000 or 20% of the purchase price, whichever is less. The loan is assumable if the home is re-sold to an income qualifying household. Additional information and

requirements of the BEGIN mortgage assistance loans can be found in sections 110, 111, and 112.

Regulatory Relief

The local jurisdiction's offer to the BEGIN project of an incentive or regulatory barrier removal or relief must have a financially measurable effect. Working with the Department's Housing Policy Development Division, the following areas of possible regulatory barrier removal have been identified.

- Modification of Density and Zoning Standards
- Reductions in Permit/Regulatory Costs
- Flexible Parking Standards
- Project Design

A detailed discussion of this vital aspect of the BEGIN program, and the heart of what constitutes a qualifying BEGIN project, can be found in sections 106 and 119.

Section 102. Definitions

In addition to the definitions found in Chapter 2 (commencing with Section 50050) of Part 1 of Division 31 of the Health and Safety Code, the following definitions shall apply to these Guidelines. References to sections refer to the sections of these Guidelines unless otherwise noted.

- (a) "Affordable" as it describes a specific financial obligation, means that obligation can be paid by the person or household, along with all of other financial responsibilities, without endangering the financial stability of the household. The specific definition of "affordability" of a particular BEGIN project unit will be defined by each program Recipient in their Program Guidelines (section 110).
- (b) "Accessory unit", means a habitable living unit added to, created within, or detached from a single-family dwelling that provides basic requirements for living, sleeping, eating, cooking, and sanitation. Accessory units may not be subdivided or otherwise segregated in ownership from the primary residence structure.
- (c) "Applicant" is the locality which submits an application to the Department to develop a local BEGIN project, and operate a local BEGIN program.

- (d) "Assisted units" means units purchased with a loan funded pursuant to these Guidelines.
- (e) "Back-end ratio" means the ratio between monthly household income and monthly housing costs plus all payments on long-term installment debt.
- (f) "BEGIN project" means only dwelling units that are assisted with BEGIN Program funds. A BEGIN project is a homeownership development under common ownership.
- (g) "Borrower" means a homebuyer(s) who has or will receive a BEGIN Program loan made from a local program funded pursuant to these Guidelines, signs the promissory note, and will be the homeowner of the property being financed.
- (h) "Department" means the Department of Housing and Community Development.
- (i) "Developer" means a legally constituted business or a nonprofit corporation that has site control of the project land, obtains the project financing and develops the homeownership project. Developer also refers to the staff identified as responsible for the critical tasks associated with the project development.
- (j) "Eligible household" means a low- or moderate-income household that is a first-time homebuyer. The eligible household shall occupy, or intend to occupy, the property as its principal residence.
- (k) "First-time homebuyer" means a borrower(s) who has not owned a home during the three-year period before the purchase of a home with BEGIN assistance, except that the following individual or individuals may not be excluded from consideration as a first-time homebuyer under this definition:
 - (1) a displaced homemaker who, while a homemaker, owned a home with his or her spouse or resided in a home owned by the spouse. A displaced homemaker is an adult who has not, within the preceding two years, worked on a full-time basis as a member of the labor force for a consecutive twelve-month period and who has been unemployed or underemployed, experienced difficulty in obtaining or upgrading employment and worked primarily without remuneration to care for his or her home and family;

- (2) a single parent who, while married, owned a home with his or her spouse or resided in a home owned by the spouse. A single parent is an individual who is unmarried or legally separated from a spouse and has one or more minor children for whom the individual has custody or joint custody or is pregnant; or
- (3) an individual or individuals who owns or owned, as a principal residence during the three-year period before the purchase of a home with BEGIN assistance, a dwelling unit whose structure is:
 - (A) not permanently affixed to a permanent foundation in accordance with local or state regulations; or
 - (B) not in compliance with state, local, or model building codes and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure.
- (l) "Front-end ratio" means the ratio between monthly household income and monthly housing cost, including first mortgage principal, interest, taxes and insurance.
- (m) "Grant" means an award of funds made from the Department to eligible localities to support a BEGIN project.
- (n) "Gross income" means all income as defined in California Code of Regulations (CCR) Title 25, Section 6914.
- (o) "Homeownership" means fee simple title on real property or a leasehold interest on real property that enables the lessee to make improvements on and encumber the property and has a term sufficient to secure the BEGIN loan. Homeownership also includes ownership of manufactured housing on a permanent foundation and membership, ownership and occupancy in a limited-equity co-op development.
- (p) "Homeownership development project" means new construction on a site, including subdivisions, or scattered sites, that is under common ownership, development financing and construction.
- (q) "Household" means one or more persons occupying the same housing unit.

- (r) "Infill" For purposes of this program, a qualifying infill project must be located within an urbanized area on a site that has been previously developed for urban uses, or the immediately contiguous properties surrounding the project site are, or previously have been, developed for urban uses.
- (s) "Loan-to-value-ratio" means the ratio between the amount of all indebtedness liened, or to be liened, against a property and the appraised value of the property securing the liens.
- (t) "Locality" means a city, county, or city and county within the State of California.
- (u) "Local program" means a first-time homebuyer mortgage assistance loan program to provide BEGIN Program loans for the acquisition of property.
- (v) "Lower-or low-income household" means the same as defined in Section 50079.5 of the Health and Safety Code.
- (w) "Manufactured housing" means a structure, transportable in one or more sections as defined by Section 18007 of the Health and Safety Code. To be eligible for a BEGIN loan, a manufactured home must be installed on a permanent foundation.
- (x) "Ministerial" means, as defined in "Public Resources Code CEQA Guidelines Section 15369. 'Ministerial' describes a governmental decision involving little or no personal judgment by the public official as to the wisdom or manner of carrying out the project. The public official merely applies the law to the facts as presented but uses no special discretion or judgment in reaching a decision. A ministerial decision involves only the use of fixed standards or objective measurements, and the public official cannot use personal, subjective judgment in deciding whether or how the project should be carried out." These standards must be applied administratively to the application and not subject to discretionary decision-making by a legislative body.
- (y) "Moderate income households" means persons and families who are not "lower income households" and whose gross incomes do not exceed 120 percent of the area median income adjusted for family size in accordance with adjustment factors adopted by the United States Department of Housing and Urban Development in establishing income limits for lower income families. (a) The maximum gross income limits for moderate income households is the same as that for "persons and families of moderate income"

and "persons and families of low or moderate income." (b) "Persons and families of low or moderate income" includes very low, lower, and moderate income households.

- (z) "Monthly housing cost" means the average of the estimated costs for the next twelve months for a homebuyer and shall include all of the following associated with that housing unit:
- (1) principal and interest on a mortgage loan including any rehabilitation loans, and any mortgage insurance fees associated therewith;
 - (2) property taxes and assessments;
 - (3) fire and casualty insurance, including flood insurance when applicable, covering replacement value of property improvements;
 - (4) homeowner association fees or dues, if applicable;
 - (5) lease payments, if the housing unit is situated on leased land; and
- (aa) "Mortgage" means a deed of trust which is used to secure a lien on real property.
- (bb) "Mortgage assistance" means permanent financing, usually with deferred payments, used toward homebuyer costs as provided by funds pursuant to these Guidelines or from other sources. Another term for mortgage assistance is "downpayment assistance".
- (cc) "Mortgage financing" means a long-term, permanent loan, provided by a mortgage lender, which is secured by a deed of trust, or, in the case of manufactured housing, a security instrument sufficient to perfect a security interest in the home.
- (dd) "Mortgage lender" means a bank or trust company, mortgage banker, mortgage broker, federal or state chartered savings and loan association, State or Federal governmental agency or credit union whose principal business is to originate, process, close and service loans for the purchase or development (if appropriate) of property. "Mortgage lender" also includes nationwide institutions whose primary purpose is to develop housing and provide first mortgage financing to low-income purchasers of the developed housing.

- (ee) "NOFA" is the acronym for Notice of Funding Availability. The NOFA is the document used by the department to announce that funds are available and applications may be submitted.
- (ff) "Recipient" means a locality that receives an award of funds from the BEGIN Program
- (gg) "Reuse account" means an account established pursuant Section 109.
- (hh) "Rural area" means the same as defined in Health and Safety Code, Section 50101.
- (ii) "Self-help construction" means "owner-building" as defined in Health and Safety Code, Section 50692 and may include mutual self-help housing as defined in Health and Safety Code, Section 50087.
- (jj) "Site control" means control of a parcel of real property as described in Section 116(a).
- (kk) "Standard Agreement" means the contract entered into between the Department and a Recipient pursuant to Section 121.
- (ll) "Volunteer labor" means skilled or unskilled construction labor provided without remuneration.

Article 2. Program Requirements

Section 103. Applicant Eligibility Requirements

Eligible applicants for a BEGIN Program award include all cities, counties, and city and county within the State of California. An applicant can only apply to assist a BEGIN project within its jurisdictional boundaries.

Section 104. Eligible Households

To be eligible to receive the benefits of BEGIN funding, an individual household shall:

- (a) be a lower-income or moderate-income household, when considering the gross income of all household residents eighteen (18) years old or older.
- (b) include as borrowers on the BEGIN Program promissory note all persons who will be on title to the property; and
- (c) be a first-time homebuyer and intend to occupy the home as a principal place of residence.

Section 105. Eligible and Ineligible Uses of Funds

BEGIN funds shall be used only for the following costs:

- (a) Mortgage assistance for permanent financing of:
 - (1) a new homeownership dwelling unit ready for occupancy, or;
 - (2) a unit constructed using the self-help method. In the case of self-help housing mortgage assistance, the BEGIN permanent financing may be disbursed at time of lot purchase where the self-help housing is being financed under the U. S. Department of Agriculture, Rural Housing Service 502 program;
- (b) Non-recurring loan closing costs;
- (c) Any use not expressly listed as eligible is an ineligible use of BEGIN funds.

Section 106. Regulatory Relief

The following regulatory concessions represent methods that cities and counties have implemented to assist in the development of affordable housing. If an applicant proposes to implement an alternative measure or action, it must be approved by the Department in order to receive points in any of the following categories. The BEGIN application must include sufficient documentation detailing the actions taken to ensure regulatory barrier removal was provided to the development project. Documentation of the approval of the regulatory action must be from the city or county, and contain a copy of the signed original action by the final decision-making body (i.e., planning commission, board or council). No points will be given for staff level reports, correspondence or from minutes of council meetings or other documentation that did not specifically approve the regulatory relief action and include a direct connection to the project. This approval must be

obtained from the government agency, and be included in the application to demonstrate the regulatory relief action has been formally approved at the time of application. Further, the application should clearly document the cost savings from the regulatory relief by identifying the requirement before and after the regulatory relief action.

(1) Modification of Zoning, Density and Development Standards:

- (a) Modification of Zoning, Density and Development Standards: for purposes of the BEGIN application at least one of the actions listed below must have been approved. The application must demonstrate the project was developed at densities significantly above otherwise allowable standards or modify or reduce development standards to increase the project's financial feasibility. No regulatory relief points can be awarded for any project on a downzoned site. The following are examples of density modifications:
- (1) a multifamily development must be approved with densities at least 20 percent higher than under the zoning prior to the project application,
 - (2) a single-family development must be approved significantly above otherwise allowable densities and have a density of a minimum 10 units per acre for detached, or a minimum of 15 units per acre for attached, or
 - (3) the project has reduced or modified zoning standards such as setbacks, square footage requirements, minimum lot sizes, lot coverages, floor area ratios and height limits to permit a density increase of at least 20 percent in excess of the minimum density allowed
 - (4) Significantly reduce site improvements such as street widths
 - (5) Lot consolidation: Project will be developed on a site, which had been involved in lot consolidation and/or assembly, including scattered sites.
 - (6) Approve mixed use zoning in conjunction with commercial, office or other compatible land uses to reduce the cost of the housing. Credit under this section could also include approving stand-alone multifamily residential development in a commercial zone.

(2) Reduction in Permit Processing, Procedures or Times or /Regulatory Costs/Fees:

Costs associated with development, such as permits, fees, exactions, impact, linkage, school and park fees can be significant barriers to the development of affordable housing. These costs are identified in the applicant's housing element. Actions applicants can implement to alleviate regulatory constraints can include the following options. To be eligible for points in this category, the applicant must demonstrate one of the reductions outlined below. The following is a sampling of methods to receive points. To be credited with points in this section the dollar value or savings from this regulatory relief must be demonstrated.

- (a) Fees were significantly reduced or waived for this project. Fee reduction or waivers should be quantified in the application including a comparison of the fees typically collected for comparable projects and those required of the BEGIN project.
- (b) The project is located within an area for which a specific plan was approved pursuant to Government Code Section 65450 et. seq., and was not subject to additional project-level environmental review.
- (c) Significant reduction in permit processing times for affordable housing development, due to, for example, elimination of separate or sequential project reviews. Application must demonstrate cost savings to the development due to review process reduction vs. standard processing times. Applications will only be credited by demonstrating reduction in permit processing time over the baseline standard processing time.
- (d) Parkland or open space requirements which were in excess of the statutory minimum pursuant to the Quimby Act, were reduced from a previous standard.
- (e) Ministerial approval

(3) Flexible Parking Standards: Documentation of regulatory relief in the parking standard section must demonstrate how, the relief benefits the project. Flexible parking standards given to the project must be compared to normal parking standard requirements in place. In order to receive full points in this category, the parking standards on the BEGIN project must be modified by at least one of the following:

- (a) Crediting on-street parking or shared residential/commercial parking, toward minimum residential parking requirements.
- (b) Carports (unenclosed garages) are permitted to satisfy at least a portion of an enclosed garage parking requirement.
- (c) Parking requirements, inclusive of visitor parking and parking for persons with disabilities do not exceed:
 1. Zero to One Bedrooms: One on-site parking space
 2. Two to Three Bedrooms: Two on-site parking spaces
 3. Four or More Bedrooms: Two and one-half parking spaces

(4) Project Design: Full points will be given in this category to applications which include any one of following project design enhancements, as demonstrated in the application:

- (a) Accessory units integrated into the development.
- (b) Staff level design review (for example, not requiring full design committee review or other layers of review processes were removed and development design approval was expedited as a result).
- (c) Local governments provide off-the-shelf prototype design packages, for ministerial approval. The application must demonstrate the cost savings or relief provided to the development by selection of this relief.
- (d) Right-of way or easement dedication requirements were reduced for the project from a prior standard.

Section 107. Local Program Administration

- (a) The Recipient shall implement the local program and be responsible for the following activities:
 - (1) marketing the local program;
 - (2) determination of a household's income-eligibility pursuant to the income requirements of these Guidelines;
 - (3) compliance with the following requirements:

- (A) Section 108 loan servicing requirements;
 - (B) Section 109 reuse account requirements;
 - (C) Section 110 BEGIN Downpayment Assistance Program Guideline requirements;
 - (D) Section 111 BEGIN Downpayment Assistance Loan Requirements;
 - (E) Section 112 Local Loan Administration Requirements.
- (4) disbursing funds on behalf of borrowers at the time of property acquisition;
 - (5) maintaining complete and accurate records of all BEGIN Program loan disbursements and repayments to ensure adherence to proper accounting procedures for the BEGIN Program loans, which may be verified by the Department and may be subject to a fiscal and programmatic audit;
 - (6) complying with reporting requirements pursuant to Section 122; and
 - (7) complying with all other locality requirements as set forth in these Guidelines and all applicable Federal and State regulations.

Section 108. Loan Servicing Requirements

- (a) Recipients shall develop and employ a loan servicing plan acceptable to the Department that shall be submitted to the Department for review and approval.
- (b) If loan servicing will be performed under a contract with a third party, that third party must be in the business of performing loan servicing; and
- (c) Recipients shall be required to enter into a long term monitoring agreement with the Department allowing Department monitoring of loan servicing for compliance with the Guidelines.

Section 109. Re-use Account

- (a) BEGIN Recipients shall develop and employ a reuse account plan acceptable to the Department that shall be submitted to the Department for review and approval.
- (b) All repayments of BEGIN Program loan principal and any BEGIN Program loan interest shall be deposited into a separately maintained reuse account governed by the reuse account plan approved by the Department.
- (c) Any interest earned on deposited BEGIN reuse funds must accrue to the BEGIN identified funds and be reused for first-time homebuyer downpayment assistance, home rehabilitation, home buyer counseling, home acquisition and rehabilitation, or self-help mortgage assistance for persons and families of low- or moderate-income.
- (d) Funds in the reuse account shall only be used by the Recipient for first-time homebuyer downpayment assistance, home rehabilitation, home buyer counseling, home acquisition and rehabilitation, or self-help mortgage assistance for persons and families of low- or moderate-income.
- (e) A portion of the funds deposited in the reuse account may be used to pay for the delivery of BEGIN eligible activities funded from the reuse account. The amount available to the Recipient to pay for activity delivery is dependent upon the activity funded, and is calculated as a percentage of the loan made to the low- or moderate-income household, or on a per-unit basis, i.e.;
 - (1) 10% for mortgage assistance;
 - (2) 15% for owner-occupied rehabilitation, and home acquisition with rehabilitation;
 - (3) \$350 for homebuyer education for each closed mortgage assistance loan where homebuyer education was provided;
 - (4) up to \$20,000 per unit for technical assistance on a self-help housing development project.
- (f) Recipients shall be required to enter into a long term monitoring agreement with the Department allowing Department monitoring of reuse accounts for compliance with these Guidelines.

Article 3. Mortgage Assistance Loan Requirements

Section 110. BEGIN Downpayment Assistance Program Guidelines Requirements

- (a) BEGIN Recipients shall develop and employ Mortgage Assistance Program Underwriting Guidelines that, have been submitted to and approved by the Department as addressing the following underwriting topics:
 - (1) Method for determining the sales price of BEGIN assisted units as affordable to BEGIN eligible households.
 - (2) method for establishing the amount of the BEGIN Downpayment Assistance loan.
 - (3) establish front and back-end ratios used to qualify the borrower;
 - (4) what criteria will be used to determine the credit worthiness of the borrower;
 - (5) requirements for the first mortgage:
 - (A) Borrower shall obtain the maximum first lien mortgage loan with a term and interest rate from a mortgage lender consistent with affordable housing costs as defined in each program's Guidelines.
 - (B) Mortgage loans shall not include provisions for negative amortization, principal increases, balloon payments or deferred interest.
 - (6) financing subordinate to the BEGIN Program loan:
 - (A) fees and/or charges for subordinate financing shall be consistent with industry standards;
 - (B) there must not be a balloon payment due before the maturity date of the BEGIN Program loan;
 - (C) all subordinate financing provided shall defer principal and interest payments for the term of the BEGIN Program loan;
- (b) Cash out of escrow to borrowers are limited to the amount deposited into escrow by the borrowers and not needed for any lender-required minimum down-payment.

- (c) Recipients must obtain title insurance that includes the amount of the BEGIN Program loan at close of escrow.
- (d) Fire insurance (and flood insurance where applicable) requirements are as follows:
 - (1) Recipient must require borrowers to maintain insurance on the property in an amount at least equal to the replacement value of the improvements; and
 - (2) Recipient must be named as additional loss payee on the policy.

Section 111. BEGIN Downpayment Assistance Loan Requirements

- (a) The maximum amount of the BEGIN Downpayment Assistance loan shall not exceed \$30,000 (thirty thousand dollars), or 20% of the sale price of the BEGIN assisted unit (whichever is lower). The amount of the BEGIN Program loan will be determined by the Recipient on a case-by-case basis using the method as described in the Recipient's BEGIN Program Guidelines .
- (b) BEGIN Program loans shall be secured by the property or leasehold interest, as applicable.
- (c) The lien securing repayment of the BEGIN Program loan shall be recorded in no lower than second position.
- (d) The combined indebtedness (all loans) secured by the BEGIN assisted unit shall not exceed one hundred (100) percent of the sales price plus a maximum of up to five (5) percent of the sales price to cover actual closing costs.
- (e) Homebuyer BEGIN Program loans shall have the following terms and conditions:
 - (1) principal and interest payments shall be deferred for the term of the BEGIN Program loan;
 - (2) loans shall be repayable when the property ceases to be continuously occupied by the home buyer in the first five years after the date of recordation of the deed of trust securing the BEGIN loan;
 - (3) loans shall be repayable upon the BEGIN Program loan maturity date;

- (4) if at the loan maturity date, it is determined by the recipient that repayment of the BEGIN Program loan causes a hardship to the borrower, the recipient has two other options. They are:
- (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% additional interest.
- (5) loans are assumable by another income-qualifying homebuyer after five years from the recordation of the deed of trust securing the BEGIN loan.
- (6) the following transfers of interest shall not require the repayment of the BEGIN Program loan:
- (A) transfer to a surviving joint tenant by devise, descent, or operation of law on the death of a joint tenant;
 - (B) a transfer, in which the transferee is a person who occupies or will occupy the property, which is:
 - (i) a transfer where the spouse becomes an owner of the property;
 - (ii) a transfer resulting from a decree of dissolution of marriage, legal separation agreement, or from an incidental property settlement agreement by which the spouse becomes an owner of the property; or
 - (iii) a transfer into an inter vivos trust which the borrower is and remains the beneficiary and occupant of the property;
- (7) The term for first-time homebuyer mortgage assistance BEGIN Program loans shall be thirty (30) years with the

following exception: when United States Department of Agriculture, Rural Housing Service (USDA-RHS) 502 mortgage loans are in first lien position, the term shall be the term of the 502 mortgage (30 to 38 years);

- (8) a borrower may pay the BEGIN Program loan amount, in part or in whole, at any time without penalty.
- (f) All BEGIN assistance to individual households shall be made in the form of a loan. Recipients may make BEGIN Program loans bearing simple interest of one (1%) to three (3%) percent per annum.
- (g) In any loan transaction where the BEGIN Program loan is the only subsidy, the borrower cannot be restricted from selling the home at its fair market value at any time.

Section 112. Local Loan Administration Requirements

The recipient of BEGIN funds to operate a local mortgage assistance program shall be responsible for the following activities:

- (a) providing information and assistance to first-time homebuyers on obtaining maximum amount of first mortgage financing pursuant to the underwriting requirements in Section 111;
- (b) originating, underwriting, packaging and closing BEGIN Program loans in accordance with program requirements.

Article 4. Project Requirements

Section 113. Developer Experience

The developer of a proposed BEGIN project shall demonstrate the experience and capacity necessary to guarantee the successful completion of the BEGIN project. In order to demonstrate this, the developer shall have successfully developed a minimum of two affordable housing projects.

Section 114. Eligible Projects

- (a) BEGIN projects shall be newly constructed homeownership development project whose units are designated as BEGIN units

and are sold to BEGIN eligible households with BEGIN Program mortgage assistance.

- (b) The types of BEGIN eligible homeownership units include:
 - (1) Single family detached units;
 - (2) Attached homeownership units;
 - (3) Units in co-housing developments;
 - (4) Newly erected manufactured housing on a permanent foundation;
 - (5) Ownership of housing on long-term leasehold land that enables the lessee to make improvements on and encumber the property and has a term sufficient to secure the BEGIN loan such as;
 - (A) Planned Unit Developments;
 - (B) Community Land Trusts;
 - (6) Limited-equity co-ops
- (c) BEGIN units shall be affordable to BEGIN eligible households as determined by the Recipient per Section 110
- (d) A BEGIN project must have a minimum of 4 BEGIN units
- (e) Subdivisions, infill sites, and assembled scattered sites can qualify as sites for a BEGIN eligible project.

Section 115. Eligible Forms of Homeownership

- (a) The following forms of homeownership are allowable in a BEGIN eligible project:
 - (1) Fee-simple title on real property, including manufactured housing on a permanent foundation;
 - (2) Leasehold interest on real property that enables the lessee to make improvements on and encumber the property and has a term sufficient to secure the BEGIN loan, or
 - (3) Membership, ownership and occupancy in a limited-equity housing co-op.

Section 116. Project Readiness Requirements

A BEGIN project can be in the pre-construction phase, under construction or recently completed at the time the Recipient applies for funds under the

current NOFA. BEGIN units must not have been previously occupied as homeownership units.

A BEGIN project must be ready for homebuyer occupancy within 36 months of the award of funds. To demonstrate the proposed BEGIN project's likelihood of completion within this timeframe, an eligible project shall, at the time of application, exhibit the following levels of project readiness:

- (a) **Site Control:** To be eligible to apply for a BEGIN Program award, the applicant shall have site control of the proposed project property as evidenced by one of the following:
 - (1) fee simple title;
 - (2) an enforceable option to purchase, which shall extend, or may be extended, for a minimum of 180 days beyond the date of application submittal;
 - (3) a disposition and development agreement with a public agency, not to expire prior to 180 days after the application submittal;
 - (4) a sales contract, or other enforceable agreement for the acquisition of the property; or
 - (5) a leasehold interest, or an enforceable option to lease. The option to lease shall extend for a minimum of 120 days beyond the date of the application submittal. The leasehold term must be for a minimum of 40 years. The leasehold must have provisions that enable the lessee(s) to make improvements on and encumber the property for a term sufficient to secure the BEGIN lien; or
 - (6) other forms of site control that give the department equivalent assurance that the project will be able to proceed without inordinate delay.
- (b) Design status readiness as demonstrated by an executed agreement with an architect, or other design team.
- (c) Development project budget with identified sources and uses
- (d) Construction financing commitments
- (e) Permanent financing;
 - (1) Letters of express interest from 1st mortgage lenders

- (2) Subordinate financing commitments as required to make the BEGIN units affordable to low- or moderate-income homebuyers.
- (f) Because the BEGIN required regulatory relief, regulatory barrier removal, or other development incentive may be offered to the BEGIN project as an inducement to the developer to offer the BEGIN units, and because the availability of BEGIN funds for mortgage assistance may also serve as an inducement for the development of the BEGIN units, it is important the project readiness requirements allow for the applicant and the developer to consider BEGIN mortgage assistance at an early stage in the development process. Therefore it is possible that all local government approvals may not have been issued or complete at the time of the application for BEGIN funds. The Department will require these local approvals as milestones at 18 months after the date of execution of the standard agreement with the Recipient. These local approvals may include, but are not limited to:
- (1) In the case of a subdivision, a final map;
 - (2) Zoning approval or development agreement approval;
 - (3) Environmental assessment completed through CEQA;
 - (4) Conditional use permits
 - (5) Building permits

Please note that the Regulatory Relief measures offered to the BEGIN Project are necessary for a legally complying application. They must be approved prior to application for BEGIN funds, and evidence of the regulatory relief, regulatory barrier removal, or incentive to development must be submitted with appropriate documentation at the time of application. They are not included in the 18 month grace period referenced above.

Article 5. Application Procedures

Section 117. Application Process

- (a) The Department shall issue a Notice of Funding Availability (NOFA) that specifies, among other things, the amount of funds available, the grant award criteria, the dates that applications will be accepted, and the general terms and conditions of funding commitments. The Department shall also make information available in the NOFA describing the method used in evaluating applications in response to the NOFA.

- (b) Only applications that are substantially complete shall be eligible for funding.
- (c) In order to implement the goals and purposes of the BEGIN Program, the Department may adopt measures to direct funding awards to local programs that are located in rural areas or other geographic areas to achieve a reasonable geographic distribution of funding.

Section 118. Application Requirements

Application shall be made on a form provided by the Department. The application will include a description of the incentives or regulatory barrier reductions or removal pursuant to Health and Safety Code Section 50863. The Department-provided application form shall request the following information:

- (a) Applicant identification information including: name, address, telephone number, contact person and a list of legislative representatives for the area where the program will be undertaken.
- (b) Governing board resolution which legally authorizes the application.
- (c) Certification that: the applicant has the authority to undertake the activities applied for; that it does not have any unresolved Department audit findings nor pending lawsuits; and that it agrees to comply with all program requirements.
- (d) A description of the incentives or regulatory barrier reductions or removals that the applicant has provided to the BEGIN project, along with documentation showing approval of the regulatory relief measures.
- (e) Evidence of meeting the criteria for the statutorily defined additional points (per Section 119 (c).(4)).
- (f) Certification of project readiness.
- (g) Program description including: amount applied for, number of units or households to be assisted, income levels of households to be assisted, description of prior experience operating a mortgage assistance program, geographic location of the activities, and financing sources and uses.

- (h). A description of how the applicant will comply with the requirements for local program administration set forth in Section 107.

Section 119. Selection Criteria

- (a) Applications shall not be considered for funding unless the application is received by the deadline as stated in the NOFA and demonstrates that the requirements set forth below have been fulfilled in addition to the requirements contained in the NOFA
- (b) Applicants must also demonstrate that all of the following conditions exist:
 - (1) the application contains substantially all of the information required by Section 118 and contains sufficient information to allow the Department to apply the rating factors set forth in the Guidelines;
 - (2) the applicant is eligible;
 - (3) the applicant proposes an eligible activity;
 - (4) the applicant proposes an eligible use of the funds;
 - (5) the applicant does not have any unresolved audit findings for prior Department projects or programs;
 - (6) the proposed project is consistent with any special terms and conditions of the NOFA (e.g., maximum amounts for downpayment assistance, sales price).
- (c) Applications shall be reviewed by staff for compliance with the requirements of Section 117, Section 118 and Section 119(a) and (b). Applications which comply with these requirements will be scored based on the information in the application relating to;
 - (1) Applicant experience operating a mortgage assistance program;
 - (2) Regulatory relief offered in the proposed BEGIN Project per the following scoring criteria:

A. Regulatory Relief Section for BEGIN: must have a minimum of 100 points in this category to be eligible for the BEGIN program. Maximum of 400 points available.	
1. Modification of Density Standards (Section 106 (1)(a)(1) & (2))	100
2. Modification of Zoning Standards (Section 106 (1)(a)(3) – (6))	100
3. Reductions in Permit Processing/Regulatory Costs/Fees	50
4. Flexible Parking Standards	100
5. Project Design	50
Total points possible in regulatory relief	400
B. Housing Element compliance section: Applicant has an adopted housing element that HCD has determined, pursuant to Section 65585 of the Government Code, to be in substantial compliance with the requirements of Article 10.6 (commencing with Section 65580) of Chapter 3 of Division 1 of Title 7 of the Government Code.	
1. Adopted Housing Element in Compliance	50
C. Additional Points are given for applications meeting each of the following objectives:	
1. The extent to which BEGIN units will serve low-income homebuyers: 25 points for 100%; 15 points for 50%; 10 points for 25%	10, 15, 25
2. The location of the project on a site designated as "infill".	50
3. The location of the project in proximity (within .25 miles) to:	
• Public transit	15
• Public schools	15
• Parks and recreational facilities	15
4. The location of the project in any of the following job centers: • Los Angeles and Long Beach metropolitan statistical area (MSA) • Orange County MSA • San Diego MSA • San Francisco MSA • Oakland MSA • San Jose MSA • Sacramento MSA • Fresno MSA • Modesto MSA	15
Total Additional Points Possible	135
Points required to meet the funding threshold (Regulatory Relief points (A) plus point in B. and C.)	200

- (3) Project readiness threshold requirements:
 - (A) Site control;
 - (B) Development budget with proposed sources and uses

- (d) Projects which receive a minimum of 200 points in regulatory relief and statutory project enhancement score and meet the project readiness threshold requirements are eligible for funding subject to details described in the NOFA.

- (e) If at any time, eligible and complete applications request funds which exceed the amount of funds remaining available, the Department will create a funding list based on the scores of the applications received. Application scores will include the points attained on the regulatory relief checklist, plus additional points for project readiness. The project readiness points will be assigned on the following basis:
 - (1) Design status readiness as demonstrated by an executed agreement with an architect, or other design team, **10 points.**
 - (2) Construction financing commitments, **10 points.**
 - (3) Permanent financing **20 points (divided as follows)**;
 - (A) Letters of express interest from 1st mortgage lenders, **10 points (or 20 points if no subordinate financing is required)**
 - (B) Subordinate financing commitments if required to make the BEGIN units affordable to low- or moderate-income homebuyers, **10 points.**
 - (4) Local approvals, **30 points (divided as follows)**;
 - (A) Tentative Map Approval, **5 points**
 - (B) Final Map Recorded, **10 points**
 - (C) Verification of all other local approvals in place, **20 points**

- (f) Awards will then be made from the highest score until all funds are awarded, with adjustments made to meet the geographic distribution targets described in the current NOFA.

Article 6. Program Operations

Section 120. Legal Documents

- (a) Upon the award of funds the Department shall enter into a Standard Agreement with the Recipient constituting a conditional commitment of funds. This contract shall require the parties to comply with the requirements and provisions of these Guidelines. The Standard Agreement shall encumber State monies in an amount sufficient to fund the approved local project, subject to limits established in the NOFA and consistent with the application. The Standard Agreement shall contain, but not be limited to, the following
- (1) a description of the approved local project and the permitted uses of BEGIN program funds;
 - (2) the agreed upon form of barrier removal, regulatory relief or incentive to development the local jurisdiction is pledging to the BEGIN project, and the implementation timeline;
 - (3) requirements for the execution and, where appropriate, the recordation of the agreements and documents required under the BEGIN Program;
 - (4) the Recipient's responsibilities for completion of the project, including, but not limited to, number of units to be assisted, marketing, BEGIN Program loan processing and funding, construction monitoring and disbursement, report submissions, file documentation;
 - (5) manner, timing and conditions for disbursement of BEGIN Program funds to Recipients;
 - (6) provisions relating to the placement on or in the vicinity of the homeownership development project site, a sign indicating that the Department has provided financing for the project. The Department may also arrange for publicity of the Department BEGIN project in its sole discretion;
 - (7) remedies available to the Department in the event of a violation, breach or default of the standard agreement;
 - (8) requirements that the Recipient permit the Department or its designated agents and employees the right to inspect the project or local program and all books, records and

documents maintained by the Recipient in connection with the local program and the local program individual BEGIN Program loans;

- (9) special conditions imposed on a case-by-case basis as part of Department approval of the local project;
 - (10) terms and conditions required by federal or state law; and
 - (11) other provisions necessary to ensure compliance with the requirements of the BEGIN Program.
- (b) Prior to the disbursement of funds, the Department shall enter into a twenty (20) year monitoring agreement with the Recipient requiring the parties to comply with the requirements and provisions of Section 110 regarding a reuse account established pursuant to the BEGIN legislation. The monitoring agreement shall contain, but not be limited to, the following:
- (1) requirements regarding the establishment of a reuse account for the deposit of BEGIN loan repayments, including interest and principal, and the requirements for disbursement of funds from the reuse account;
 - (2) the plan for servicing of the BEGIN loans as prepared by the Recipient to be reviewed for approval by the Department;
 - (3) the plan for the reuse of BEGIN funds as prepared by the Recipient to be reviewed for approval by the Department;
 - (4) requirements for submittal of an annual report on a form provided by the Department;
 - (5) remedies available to the Department in the event of a violation, breach or default of the monitoring agreement;
 - (6) requirements that the Recipient permit the Department or its designated agents and employees the right to inspect the local program or project books, and all records and documents maintained by the Recipient in connection with the reuse account and long term loan servicing; and
 - (7) other provisions necessary to ensure compliance with the requirements of the BEGIN Program.

- (c) All homebuyer BEGIN Program loans originated by a Recipient shall be evidenced by the following documents and provisions, models of which may be provided by the Department:
 - (1) a promissory note evidencing the BEGIN Program loan, payable to the Recipient in the principal amount of the BEGIN Program loan and stating the terms and rate of interest of the BEGIN Program loan consistent with the requirements of the BEGIN Program. The Recipient is prohibited from assigning their beneficial interest under the note. The note shall be secured by a deed of trust, or other appropriate security instrument acceptable to the Department, on the homebuyer property naming the Recipient as beneficiary. This deed of trust or other appropriate security instrument shall be recorded and shall secure the Recipient's financial interest in the project.

Section 121. Disbursement of Grant Funds

- (a) BEGIN Program funds shall be disbursed on an advance or reimbursement basis. Details of the process for disbursements will be published in the current NOFA, and shall be included in all Standard Agreements. Advances may include, but are not limited to:
 - (1) advances to escrow for mortgage assistance loans, upon Department approval.

Section 122. Reporting Requirements

- (a) At any time during the term of the Standard Agreement or the Monitoring Agreement, the Department may perform or cause to be performed an independent financial audit of any and all phases of the Recipient's local program. At the Department's request, the Recipient shall provide a financial audit prepared by a certified public accountant.

Section 123. Performance Goals

- (a) For all BEGIN programs:

- (1) One hundred (100) percent of funds must be expended within thirty-six (36) months of the date of the award of funds by the Department. If this goal is not met:
 - (A) the remaining unused funds shall be disencumbered by the Department; and
 - (B) if less than ninety-five (95) percent of the funds are expended at the end of the 36th month, the Recipient's next application for funding under the BEGIN Program shall receive a penalty deduction in the total points awarded pursuant to the current NOFA.

Section 124. Defaults and Award Cancellations

- (a) Funding commitments may be canceled by the Department under any of the following conditions:
 - (1) the objectives and requirements of the BEGIN Program cannot be met;
 - (2) implementation of the local project cannot proceed in a timely fashion in accordance with the timeframes established in the Standard Agreement; or
 - (3) funding conditions have not been fulfilled within required time periods.
- (b) In the event of a breach or violation by the Recipient of any of the provisions of the Standard Agreement, the Department may give written notice to the Recipient to cure the breach or violation within a period of not less than fifteen (15) days. If the breach or violation is not cured to the satisfaction of the Department within the specified time period, the Department, at its option, may declare a default under the relevant document and may seek legal remedies for the default including the following:
 - (1) the Department may seek, in a court of competent jurisdiction, an order for specific performance of the defaulted obligation or the appointment of a receiver to complete the project in accordance with BEGIN program requirements; and

- (2) the Department may seek such other remedies as may be available under the relevant agreement or any law.
- (c) Upon receipt of a notice of intent to cancel the commitment from the Department, the Recipient shall have the right to appeal to the Director.



Fact Sheet

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

BEGIN First-Time Homebuyer Mortgage Assistance Program PROGRAM GUIDELINES

BEGIN Program

The Building Equity and Growth in Neighborhoods Program (BEGIN) provides up to \$30,000 per dwelling unit in homeownership assistance to low-and moderate-income households who purchase a dwelling in a BEGIN Project. The primary intent of BEGIN is to encourage the reduction or removal of regulatory barriers that significantly increase the cost of housing development.

BEGIN Projects:

BEGIN Projects are projects that have received an award of BEGIN funds. The funds are awarded by the State Department of Housing and Community Development (HCD) to the City or County of Sacramento based upon specific project applications.

Form of Assistance:

Assistance to the homebuyer will be in the form of a deferred payment loan.

Maximum Loan Amount:

\$30,000. The maximum loan shall not exceed \$30,000, or 20% of the sales price of the BEGIN assisted unit (whichever is lower).

Affordable Housing Costs:

The Affordable Housing Costs for BEGIN buyers is established to ensure that the housing obligation can be paid by the borrowers, along with all of their other financial responsibilities, without endangering the financial stability of the household. This ranges from 28% to 35% on the front end ratio, to 40-45% on the back end, or total ratio. See Housing Debt Ratio.

Interest Rate:

3.00% fixed rate, simple.

Term:

30 years

Max CLTV:

The loan- to- value ratio for the BEGIN loan, when combined with all other indebtedness to be secured by the property, shall not exceed one hundred (100) percent of the sales price plus a maximum of up to five (5) percent of the sales price to cover actual closing costs.

Repayment:	<p>Homebuyer BEGIN Program loans shall have the following terms and conditions:</p> <ol style="list-style-type: none"> (1) principal and interest payments shall be deferred for the term of the BEGIN Program loan; (2) loans shall be repayable when the property ceases to be continuously occupied by the home buyer in the first five years after the date of recordation of the deed of trust securing the BEGIN loan; (3) loans shall be repayable upon the BEGIN Program loan maturity date; (4) loans are assumable by another income-qualifying homebuyer after five years from the recordation of the BEGIN Program loan.
Hardship:	<p>However, if it is determined by the recipient that repayment of the BEGIN Program loan at the maturity date causes a hardship to the borrower, the borrower has two options:</p> <ol style="list-style-type: none"> (1) 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 (2) 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% additional interest.
Refinancing:	Refinancing may be allowed subject to Agency subordination policy.
Use of Funds:	Funds may be used for down payment, mortgage assistance and non-recurring closing costs.
Developer Commitment Fee:	In order to secure the BEGIN funding for the identified project, the developer shall pay the Agency a commitment fee of 2% of the total BEGIN funds to be allocated to the project.
BEGIN Program Fee:	There will be a BEGIN Program Fee not to exceed two and one half percent of the BEGIN loan amount of \$30,000, or \$750. Of this fee, \$75 will be required upon application with the balance paid in escrow.
Eligible Households:	<p>To be eligible to receive the benefits of BEGIN funding, an individual household shall:</p> <ol style="list-style-type: none"> (1) Be a lower-income or moderate-income household, when considering the gross income of all household residents eighteen (18) years or older. (2) Include as borrowers on the BEGIN Program promissory note all persons who will be on title to the property; and <p>Be a first-time homebuyer and intend to occupy the</p>

home as a principal place of residence.

First-Time Home Buyer: First-time homebuyer means a borrower(s) who has not owned a home during the three-year period before the purchase of a home with BEGIN assistance, except that the following individual or individuals may not be excluded from consideration as a first-time homebuyer:

- (1) a displaced homemaker;
- (2) single parent; or
- (3) owned a structure which was not permanently affixed to a permanent foundation or was not in compliance with state, local, or model building codes.

Household Income: The BEGIN borrower household must have a gross annual income not exceeding 120% of county median income for the size of the household. Income also includes income from assets over \$5,000 calculated at 2.5% of the value of the asset. As of February 25, 2005, the limits are:

1-person	\$53,850
2-person	\$61,500
3-person	\$69,200
4-person	\$76,900
5-person	\$83,050
6-person	\$89,200

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% of the borrower's gross monthly income and no more than 35%. However, with compensating factors the housing costs can exceed 35%, but not 40%. The total debt ratio may be determined by the lender's underwriting guidelines but in no event exceed 45%. 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

First Mortgage Restrictions:	<p>involuntary liens at the time the BEGIN loan is recorded.</p> <p>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.</p> <p>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.</p> <p>Fees and charges to the borrower for the first mortgage loan shall be reasonable and must be approved by the BEGIN lender.</p> <p>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.</p>
Subordinate Financing:	<p>Financing subordinate to the BEGIN Program loan must meet the following:</p> <ul style="list-style-type: none"> (1) have fees and/or charges that are consistent with industry standards; (2) must not have a balloon payment due before the maturity date of the BEGIN Program loan; and (3) must defer principal and interest payments for the term of the BEGIN Program loan.
Escrow Prohibitions:	<p>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.</p>
Homebuyer Education:	<p>To help prepare applicants for the responsibilities of undertaking and maintaining homeownership, all applicants must complete Agency approved homebuyer education classes. These classes which shall cover the home buying process and well as property maintenance, good neighbor practices, and credit and budgeting.</p>
Maximum Sales Price:	<p>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 \$350,000 based upon the Sacramento Association of Realtors.</p>

Application Procedures:

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



Equal Housing Opportunity

