

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: Planning & Community Development

Urgent _____ Routine X

CEO Concurs with Recommendation YES _____ NO _____
(Information Attached)

BOARD AGENDA # _____ *D-1

AGENDA DATE: March 13, 2001

4/5 Vote Required YES _____ NO X

SUBJECT:

APPROVAL OF AMENDMENT TO THE STANISLAUS COUNTY HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) GUIDELINES THAT ELIMINATES THE CLAUSE RELATING TO THE LIEN AMOUNT REDUCTION OVER A PERIOD OF FORTY (40) YEARS

STAFF RECOMMENDATION:

APPROVE THE AMENDMENT TO THE STANISLAUS COUNTY HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) GUIDELINES THAT ELIMINATES THE CLAUSE RELATING TO THE LIEN AMOUNT REDUCTION OVER A PERIOD OF FORTY (40) YEARS.

FISCAL IMPACT:

None.

BOARD ACTION

No. 2001-181

On motion of Supervisor Mayfield, Seconded by Supervisor Caruso

and approved by the following vote,

Ayes: Supervisors: Mayfield, Blom, Caruso, and Chair Paul

Noes: Supervisors: None

Excused or Absent: Supervisors: Simon

Abstaining: Supervisor: None

1) X Approved as recommended

2) _____ Denied

3) _____ Approved as amended

Motion:

ATTEST: REAGAN M. WILSON, Clerk By: Christine Ferraro Deputy File No.

SUBJECT: APPROVAL OF AMENDMENT TO THE STANISLAUS COUNTY HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) GUIDELINES THAT ELIMINATES THE CLAUSE RELATING TO THE LIEN AMOUNT REDUCTION OVER A PERIOD OF FORTY (40) YEARS

PAGE 2

DISCUSSION:

BOARD

GOAL: Safe, Healthy Communities

Stanislaus County included, as part of its HOME application for first time home buyer funds, a clause that would permit the reduction (over time) of the assistance to the participating household. Should the household sell the residence before that time, the pro rata share would be due and payable to Stanislaus County. For example, if a household borrowed \$10,000 in first time home buyer funds, the amount would be totally forgiven at the end of forty years. If the household sold at the end of the tenth year, \$7,500 would be due and payable.

This reduction clause, as per State Program Representative is not permissible in the State Guidelines for HOME funds. Therefore, it is necessary for Stanislaus County to eliminate it from its guidelines. Once removed, the amended guidelines will be re-submitted to the State for approval. An excerpt of the guidelines is attached with the subject language stricken.

POLICY

ISSUES: The County responds to the requirements of those State and Federal programs in which it participates. The approval of this proposed amendment is in agreement with the state and federal guidelines of the HOME program, as well as consistent with the Land Use and Housing Element of the Stanislaus County General Plan.

STAFFING

IMPACT: No additional staff is necessary.

**STANISLAUS COUNTY
HOME INVESTMENT PARTNERSHIP PROGRAM (HOME)**

**FIRST TIME HOME-BUYER DOWN-PAYMENT ASSISTANCE PROGRAM
GUIDELINES**

I. INTRODUCTION

The HOME grant will be used in conjunction with the Stanislaus County First Time Home Buyers Program. The program is designed to provide loans to very low and low income households to enable them to qualify for permanent financing of single family homes. It is designed for persons who have adequate incomes to afford monthly mortgage payments, but have not been able to save enough money for the down payment. The down-payment assistance will be up to a maximum of \$15,000, depending on need based on family income, size of household and duration of residence within Stanislaus County. Approximately 10 households will be assisted by this program. The term of the program is up to 24 months or until all funds have been expended.

II. PROGRAM DESCRIPTION

A. Income Eligibility

ITEM 1

Down-payment assistance loans will be available to households of low income. A low income household is defined as a household earning an annual gross income of not more than 80% of the median area income for Stanislaus County, adjusted for household size, as published by HUD Program Income Limits (January 1999) and shown below:

1999 INCOME LIMITS BY HOUSEHOLD SIZE

Stanislaus County

Household Size	1	2	3	4	5	6	7	8
Very Low Income	\$15,100	\$17,250	\$19,400	\$21,550	\$23,250	\$25,000	\$26,700	\$28,450
Low Income	\$24,150	\$27,600	\$31,050	\$34,500	\$37,250	\$40,000	\$42,750	\$45,550

Annual Income is the gross amount of income received by all adults in the family over the past year and evidenced by their most recent Income Tax Returns, W-2 forms, Form 1099's and recent pay stubs as described in 24 CFR, Part 92.203 (b) (1-3).

A Household is defined as one or more persons who live together as a family in a single housing structure.

B. Maximum HOME Assistance Per Unit and Process to Insure Permanent Financing **ITEM 2**

The maximum amount of HOME assistance to be provided to a household is Fifteen Thousand Dollars (\$15,000). The HOME grant of \$118,750 will be leveraged with \$31,250 from the Stanislaus County Redevelopment Agency. This will make a total of \$150,000 available to qualified households. The County will be able to assist up to 10 low income households with these funds. Permanent financing is assured because CHFA and FHA have available First Time Home Buyer loan programs through participating lenders. (See Attachment 4C)

The actual amount of assistance shall be calculated based on the buyers debt ratios and the maximum first mortgage they can obtain.

C. Maximum Property Value at Acquisition **ITEM 3**

Market research indicates that, in order to target very low to low income families in Stanislaus County, the average sales price should not be over \$110,000. This amount is below HOME Program purchase limits for a single family home in Stanislaus County. There are currently existing homes listed for sale in Stanislaus County at or below that sales price.

D. Lead Based Paint Requirements **ITEM 4**

If an existing home was built prior to 1978, the home will be inspected for defective paint and/or defective paint surfaces. This evidence includes peeling on window sills, door frames, corners, thresholds, and other protruding areas. The results of this inspection will be given to the purchaser. The Owners of the home must agree in writing that all defective paint will be abated prior to the close of escrow.

Abatement must be performed according to HUD abatement guidelines. Prior to making an offer to purchase a pre-1978 home, the Buyer will be asked to read the EPA pamphlet *Protect Your Family from Lead in Your Home* (EPA 747-K-94-001, May 1995). However, due to the limited number of potentially assisted households and the existence of an inventory of homes built after 1978, assistance will be limited to post-1978 units.

E. Compliance With Housing Quality Standards **ITEM 5**

The house shall meet, as a minimum standard requirement, the Local Building Department Standards as enforced by the Development Services Division of the Stanislaus County Department of Public Works. In addition, a pest inspection of the property shall be required and any work required to correct existing conditions shall be made prior to the close of escrow. Said repair and reinspection shall be made at the expense of the Seller.

Other inspections and repairs may be required by the lender before they will make a loan on the property. Items such as condition of the foundation, roof, doors, and windows will all be of concern to the lender. These inspections will insure that a first-time home-buyer will not purchase a substandard home or a home needing major repairs.

Whether the existing home needs repairs or not, it will be recommended that the Buyers purchase a Home Protection Plan. These plans provide insurance on all interior electrical, plumbing and appliances for the first twelve months. The cost of these protection plans range from \$250 to \$350 and may be paid through escrow as a part of the closing costs.

F. Acquisition Notice to the Seller

ITEM 6

The HOME Program requires that acquisition containing the items listed below be provided to the seller prior to making the purchase offer:

1. The purchaser has no power of eminent domain and, therefore, will not acquire the property if negotiations fail to result in an amicable agreement;
2. An estimate of the fair market value of the property;
3. If an acquisition notice will not be provided prior to the purchase offer, a provision that the seller may withdraw from the agreement after this information is provided.

G. Tenant Occupied Properties

ITEM 7

Tenant occupied properties will not be eligible for purchasing under the Stanislaus County First Time Home Buyer Program.

H. Resale or Recapture Restrictions

ITEM 8

The HOME assistance to qualified First Time Home Buyers shall include provisions for resale or recapture restrictions in the form of a Promissory Note and secured by a Deed of Trust and are as follows:

- a. a 40-year term;
- b. requires no monthly payments during its term;
- ~~c. reduces annually an amount equal to 1/40th of the principal;~~
- d. c. no interest accrual;
- e. d. the County will record a second Deed of Trust;
- f. e. the loan becomes due and payable upon the sale of the property; the house is no longer the principal place of residence of the buyers, or if the house is used as a rental unit;
- g. f. the note may be assumed if the subsequent buyers qualify as a very low or low income household.

I. First Time Home Buyer Qualification Criteria

ITEM 9

“First time home buyer” means an individual or individuals or an individual and his or her spouse who have not owned a home during the three-year period before the purchase of a home with HOME assistance, except that the following individual or individuals may not be excluded from consideration as a first time home buyer 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; and
- (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 HOME assistance, a dwelling unit whose structure is:
 - (i) not permanently affixed to a permanent foundation in accordance with local or state regulations; or
 - (ii) 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.
- (4) a household which has lost housing as a result of a divorce settlement within the last three years.

J. Description of HOME Assistance to be Provided

ITEM 10

The HOME assistance provided to qualified First Time Home Buyers shall be: a loan with (silent second) a maximum assistance of \$15,000; no accrued or periodic interest; the buyer must qualify for a 30-year, fixed-rate mortgage according to the maximum debt limit; in addition to a one percent of the sales price buyer contribution as their portion of the down payment; and any attorney's fees incurred in any judgment proceedings, if necessary.

Stanislaus County requires the participation in a Housing Counseling/Homebuyers Seminar which covers the basics of homeownership and financial planning, and is offered at no cost to the eligible applicants. This course is offered by the Stanislaus County Affordable Housing Corporation (STANCO), a HUD Approved Housing Counseling Agency.

The county has established 30% to 40% as the debt ratio for first time homebuyers. This ration will allow a buyer to use from 10% to 12% of their monthly gross income to make payments on revolving debt and loans (automobile, credit cards, etc.). The maximum amount of the downpayment assistance contributed by the County shall be determined by the this ratio and applicants with excessive debt will have to reduce their bills to qualify for the program.

An example of determining maximum sales price:

Total family income:	\$ 25,000
Maximum monthly payment (PITI); 35% of gross monthly income:	\$ 729
Maximum loan @ 7.25%	\$ 71,500
Maximum loan + HOME (\$15,000)	\$ 86,500
Less Closing Costs (approx)	\$ 3,500
Maximum Sales Price	\$ 83,000

K. Process for Selecting Households and Properties

ITEM 11

Any home, under the maximum sales price, in the rural unincorporated area of Stanislaus County and that meets or exceeds local codes as required by HUD and the minimum standards required by CHFA shall be eligible for consideration. Eligible buyers will be qualified on a first-come, first-served basis, *generally* according to the following schedule:

- d. Applicant picks up application from County, completes it, and returns it to County;
- e. County determines eligibility;
- f. County sends letter of acceptance and invites those applicants that do not qualify to submit further information that may cause them to qualify;
- g. Applicant contacts Lender to begin loan qualification;
 - (1) applicant could be over income
 - (2) applicant could be under income and could enlist a co-borrower
 - (3) applicant is within program guidelines; directed to realtor; write sales contract; and, begin loan process.
- h. Applicant pays non-refundable \$50 credit check fee.
- i. Applicant uses realtor to select home and enter into a sales agreement. (Maps outlining the eligible areas will be made available for interested parties. Local Real Estate Agents will be available to show the applicants eligible homes within the target area and can assist the qualified applicants prepare an offer to purchase.)
- j. Once the purchase agreement is accepted, Lender sends package to CHFA for approval. Once approved, Lender sends completed loan package to County notifying of applicant qualification, and that escrow could close within approximately 14 days. Buyers contribute their one percent to escrow.
- k. County reviews package for State and Federal guideline compliance.
- l. County sends signed forms to HCD and draws a check for the assistance to be delivered to escrow.
- m. State HCD sends reimbursement check.
- n. Escrow agent prepares County documents for execution and recording.
- o. Complete loan package is filed.
- p. Annual monitoring procedure is set-up and commences that reviews conformance with terms of loan. (The qualified household is in residence and that the unit has not been sold or rented

L. Description of Inspection Procedures

ITEM 12

As per HOME regulations, eligible homes will be inspected by a service using professional inspection standards as well as appropriate hazardous substance identification certification (e.g. Nanro Property Inspections) prior to the purchase by a qualified buyer to verify that the home meets the required property standards, as outlined above. If the home does not meet these standards, the seller will be provided with the findings, and have an opportunity to make the repairs or withdraw from the sale.

Other inspections and repairs may be required by the Lender before they will make a loan on the property. Items such as the condition of the foundation, roof, doors and windows could all be of concern to the Lender. These inspections will insure that a first time home buyer will not purchase a substandard home or a home needing major repairs. Any work required to correct existing conditions shall be made prior to the close of escrow and be made at the expense of the Seller.

Whether or not the existing home requires repairs, County will recommend the purchase of a Home Protection Plan. These plans provide insurance on components of the structure for a term usually lasting twelve months. The cost of these protection plans range from \$250 to \$350 and may be paid through escrow.

M. Method of Determining Amount of HOME Assistance

ITEM 13

Each qualified First Time Home Buyer household shall be required to show proof of income in the form of the last two years tax returns, the last three months payroll check stubs, and 1099s from any unemployment compensation.

Once the applicant's household income has been established, they will be qualified for a loan based on their ability to repay as established by FHA and CHFA. FHA and CHFA have loan programs specifically designed for First Time Home Buyers and the underwriting guidelines for these loans allow certain maximum debt ratios. Then, once a maximum loan is established, the Buyer will be able to make an offer on eligible homes within the Target Area.