

RESOLUTION NO. 2011-622

Adopted by the Sacramento City Council

November 15, 2011

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 April 21, 2009.
- 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 an application to obtain from HCD an allocation of BEGIN funds for mortgage assistance at the 2500 R Housing Project in the amount of \$895,000.
- D. The actions herein are administrative and do not constitute a project pursuant to CEQA Guidelines Section 15378.

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

- Section 1. The above recitals, including the environmental statements in Recital D, are found to be true and correct.
- Section 2. 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 an application to HCD to participate in the BEGIN Program in response to the NOFA issued on September 23, 2011 which will request a funding allocation for the 2500 R Housing Project to use for the BEGIN Mortgage Assistance activity in the City of Sacramento.
- Section 3. If the application for funding is approved, 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 in the

manner presented in the application as approved by HCD and in accordance with program guidelines cited above.

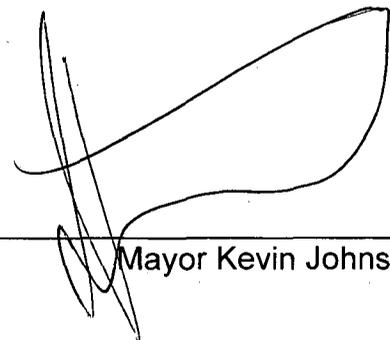
- Section 4. The Sacramento Housing and Redevelopment Agency is authorized to execute, on behalf of the City, HCD's Standard Agreement and all other instruments necessary or required by HCD for participation in, and implementation of, the BEGIN Program, as currently established in the applicable law and regulations, and any amendments thereto.
- Section 5. The local BEGIN Mortgage Assistance Underwriting Guidelines for use in administering the BEGIN program and as described in Exhibit A which is attached to this resolution are hereby adopted. The Sacramento Housing and Redevelopment Agency may make technical changes to the guidelines as necessary for program implementation.
- Section 6. The City hereby authorizes amendment of the Agency's annual Budget as it receives awards of BEGIN grant program funds.

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Exhibit A - BEGIN Mortgage Assistance Guidelines

Adopted by the City of Sacramento City Council on November 15, 2011 by the following vote:

- Ayes: Councilmembers Ashby, Cohn, D Fong, R Fong, McCarty, Pannell, Schenirer, Sheedy, and Mayor Johnson.
- Noes: None.
- Abstain: None.
- Absent: None.



Mayor Kevin Johnson

Attest:


Shirley Concolino, City Clerk



Fact Sheet

801 12th Street • Sacramento, CA 95814 (916) 440-1393

BEGIN First-Time Homebuyer Mortgage Assistance Program 2011 PROGRAM GUIDELINES

BEGIN Program	The Building Equity and Growth in Neighborhoods Program (BEGIN) provides 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 second mortgage loan.
Maximum Loan Amount	The maximum BEGIN loan is 20 percent of the sales price of the BEGIN assisted unit.
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 percent to 38 percent on the front end ratio, to 41-46 percent on the back end, or total ratio. See Housing Debt Ratio.
Interest Rate	Three percent 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 100 percent of the sales price plus a maximum of up to five percent of the sales price to cover actual closing costs.
Repayment	Homebuyer BEGIN Program loans shall have the following terms and conditions: <ul 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> <p>(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 zero percent additional interest), this may be offered one time, or</p> <p>(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 zero percent additional interest.</p>												
Refinancing	Refinancing may be allowed subject to Agency subordination policy.												
Use of Funds	Funds may be used for down payment and mortgage assistance.												
Developer Commitment Fee	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.												
BEGIN Program Fee	There will be a BEGIN Program Fee not to exceed two and one half percent of the BEGIN loan amount to a maximum amount of \$1,250. 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> <p>(1) Be a lower-income or moderate-income household, when considering the gross income of all household residents eighteen (18) years or older.</p> <p>(2) Include as borrowers on the BEGIN Program promissory note all persons who will be on title to the property; and</p> <p>(3) Be a first-time homebuyer and intend to occupy the home as a principal place of residence.</p>												
First-Time Home Buyer	<p>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:</p> <p>(1) a displaced homemaker;</p> <p>(2) single parent;</p> <p>(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.</p>												
Household Income	<p>The BEGIN borrower household must have a gross annual income not exceeding 120 percent of county median income for the size of the household. Income also includes income from assets over \$5,000 calculated at two and one half of the value of the asset. As of May 31, 2011, the limits are:</p> <table border="0" style="margin-left: 40px;"> <tr> <td style="padding-right: 20px;">1-person</td> <td style="text-align: right;">\$63,050</td> </tr> <tr> <td>2-person</td> <td style="text-align: right;">\$72,100</td> </tr> <tr> <td>3-person</td> <td style="text-align: right;">\$81,100</td> </tr> <tr> <td>4-person</td> <td style="text-align: right;">\$90,100</td> </tr> <tr> <td>5-person</td> <td style="text-align: right;">\$97,300</td> </tr> <tr> <td>6-person</td> <td style="text-align: right;">\$104,500</td> </tr> </table>	1-person	\$63,050	2-person	\$72,100	3-person	\$81,100	4-person	\$90,100	5-person	\$97,300	6-person	\$104,500
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Eligibility vs. Lender Income	<p>For program eligibility, the total annual income includes income of <u>all adult members of the household.</u></p> <p>For <u>underwriting purposes</u>, the lender shall use standard industry</p>												

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 38 percent. The total debt ratio may be determined by the lender's underwriting guidelines but in no event exceed 46 percent without significant compensating factors. 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 loan underwriting using established credit guidelines for the particular loan program as determined by industry standards. The Agency will provide oversight of this function and may require credit explanations or payoff of collections if deemed necessary and prudent. Prior bankruptcies or foreclosures may be permitted with evidence of reestablished credit if allowed by lender's credit guidelines.

There may be no outstanding unpaid judgments or involuntary liens at the time the BEGIN 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 CalHFA financing. When using FHA funds the income limits will be based upon 115% of area median.

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

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

Subordinate Financing

Financing subordinate to the BEGIN Program loan must meet the following:

- (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;
- (3) must defer principal and interest payments for the term of the BEGIN Program loan

Escrow Prohibitions

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

Homebuyer Education

To help prepare applicants for the responsibilities of undertaking and maintaining homeownership, all applicants must complete Agency approved homebuyer education classes. These classes shall cover the home buying process and well as property maintenance, good neighbor practices, and credit and budgeting.

Maximum Sales Price

The maximum allowable sales price of the assisted unit cannot exceed the HUD 203 (b) mortgage limit for the area which is currently \$474,950.

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) 440-1393, or visit our web site at www.shra.org.



Equal Housing Opportunity