



Burbank Housing Development Corporation

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**Homeownership Department (707) 890-6383**

*Serving Napa and Sonoma Counties*

**CalHome Program**  
Homebuyer Program Guidelines  
2022

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## **I. PROGRAM OVERVIEW**

Burbank Housing Development Corporation (“BHDC or “Sponsor”) is a nonprofit Corporation as defined in Section 50091 of the Health and Safety Code. BHDC has entered into a contractual relationship with the California Department of Housing and Community Development (“HCD”) to administer one or more HCD-funded homebuyer programs.

The homebuyer program described herein (the “Program”) is designed to provide assistance to eligible homebuyers in purchasing homes, also referred to herein as “housing units”, located within the Program’s eligible area, as described further in these program guidelines.

BHDC’s CalHome Down Payment Assistance Program (the “BHDC CalHome Program”) is a program designed to make funds available to eligible low and moderate income first-time homebuyers, for the purpose of bridging the gap between the sales price of the home and the homebuyer’s primary mortgage. The BHDC CalHome Program will be administered by BHDC’s Loan Packaging and Homeownership staff and all loans will be originated using these guidelines, as interpreted under Chapter 6 (commencing with Section 50650) of Part 2 of Division 31, Health and Safety Code (HSC), which establishes the CalHome Program administered by HCD, Chapter 365 (commencing with Section 54000) of Part 16 of Division 31, HSC. therein the event of any discrepancy between the BHDC Procedures and Policies and the CalHome Regulations, the CalHome Regulations will govern.

### **A. NON-DISCRIMINATION REQUIREMENTS**

The program will be implemented consistent with BHDC’s commitment to non-discrimination and all federal and state fair housing guidelines will be followed. No person shall be excluded from participation in, denied the benefit of, or be subject to discrimination under any program or activity funded in whole or in part with State (or agency) funds on the basis of his or her religion or religious affiliation, age, race, color, creed, gender, sexual orientation, marital status, familial status (children), physical or mental disability, national origin, or ancestry, or other arbitrary cause.

### **B. ANTI-DISPLACEMENT POLICY AND RELOCATION ASSISTANCE**

It is not anticipated that the implementation of this program will result in the displacement of any persons, households, or families. However, if tenant-occupied homes become part of this program and relocation becomes necessary, the activity will be carried out in compliance with all applicable State relocation law.

### **C. SALES VALUES/LIMITS FOR HOMES**

The maximum sales price for any BHDC home in which the homebuyer is receiving CalHome down payment assistance will be 100% of the current median sales price for the jurisdiction in which the home is located, as published by the California Association of Realtors.

## **II. ELIGIBLE PROPERTIES**

First-time homebuyers eligible for a CalHome down payment assistance loan must be purchasing eligible homes for sale. The primary goal of the BHDC CalHome Program is to assist BHDC homebuyers to purchase housing units in BHDC’s new construction developments or in BHDC’s resale program. Any property purchased through the BHDC CalHome Program shall be a:

- single-family attached home (includes duplexes, “duet-homes” and townhomes);
- self-help attached and detached home; or
- condominium.

## **LOCATION AND CHARACTERISTICS**

BHDC is an affordable housing developer and as such will leverage all of its CalHome allocations to further its mission of providing affordable housing. The primary use of CalHome funding is to help finance gap financing for first-time homebuyers in BHDC's homebuyer program. As CalHome funds become available, Sponsor will apply for these funds on a project-specific basis.

- A. Once sufficient program income is received from CalHome repayments, any housing units, which are part of BHDC resale program, are also eligible. These homes are located throughout Sonoma and Napa Counties.
- B. Housing unit types eligible for BHDC's homebuyer program are new or previously owned; attached and detached single-family houses, townhomes and duets on fee simple lots and duplexes.
- C. All housing units must be in compliance with State and local codes and ordinances.
- D. Housing units located within a 100-year flood zone will be required to provide proof of flood insurance in order to close escrow.

## **III. BHDC RESALE PROGRAM PROCEDURES**

BHDC administrates an ongoing resale program, that provides sellers and buyers a service for reselling their affordable homes. Homes built by BHDC and/or Sonoma and Napa Counties deed restricted properties will be given an opportunity to be sold through BHDC's resale program. The purpose of the program is to help income eligible first-time homebuyers purchase in BHDC's high-cost service area.

- 1) Once a seller decides to sell, they will notify BHDC and/or the County, depending on the program.
- 2) BHDC will maintain an active list of prospective buyers that are interested in various areas throughout BHDC's service area.
- 3) BHDC will create marketing material and notify all prospective buyers about the resale opportunity.
- 4) BHDC will allow prospective buyers an opportunity to get pre-approved by a preferred lender in order to be eligible to purchase.
- 5) BHDC will assign an application deadline to all prospective buyers (generally about 2 weeks after marketing launch)
- 6) In the event that there is more than one interested buyer for a resale home, BHDC will hold a lottery to determine who will have the first right of refusal to purchase the resale home.

Upon selection of a housing unit and qualified buyer, a seller and homebuyer will be given the necessary disclosures for the CalHome program. Any and all property disclosures must be reviewed and signed by the homebuyer and seller.

Once the participating homebuyer has reviewed all disclosure forms and has executed a purchase agreement for a housing unit, and prior to a commitment of program funds, the following steps must be taken for the housing unit to be eligible for purchase under the Program:

- 1) Licensed agent must be able to review and tour home.
- 2) Homebuyer will be required to have a certified home inspector conduct a site tour of the home and provide a comprehensive inspection report to buyer.

- 3) When the Sponsor's Program utilizes Federal funds and if the housing unit was constructed prior to 1978 then the lead-based paint requirements of Section 3.2.E will apply.
- 4) A pest inspection report will be required for each housing unit, unless homebuyer is purchasing the home as-is or primary lender doesn't require a pest inspection.
- 5) Smoke and carbon monoxide detectors must be installed if there are none in place.
- 6) BHDC will encourage each homebuyer to secure a homeowner's warranty policy as part of the purchase of a resale housing unit. (NOTE: New construction units have a builder warranty as part of the purchase (SB800)).
- 7) Housing unit size shall be sufficient to meet the needs of the homebuyer household, without overcrowding. Generally, this means not more than two persons per bedroom or living room as per local occupancy guidelines.

#### **IV. BUYER ELIGIBILITY**

##### **A. FIRST-TIME HOME BUYER**

BHDC shall comply with the CalHome regulations, Section 7716(m), definition of a first-time homebuyer, which is included below:

"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 CalHome 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 own or owned, as a principal residence during the three-year period before the purchase of a home with CalHome 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.

##### **B. INCOME ELIGIBILITY**

Eligibility will be determined using the guidance of Section 7720 further described as follows:

Eligible Households To be eligible to receive CalHome program funding, an individual household shall:

(a) be a Lower-Income Household (80% and below), when considering the Annual Income of all Household residents 18 years old or older. When calculating income eligibility, Applicants shall refer to Chapter Three of the Income Calculation and Determination Guide for Federal Programs. For Shared Housing Match services, where the provider is elderly, the income of non-occupying children who are on title will not be counted;

(b) be a Moderate-Income Household (81%-120%), that is a victim of a disaster, as further defined below, when considering the Annual Income of all Household residents 18 years old or older.

For Shared Housing Match services, where the provider is elderly, the income of non-occupying children who are on title will not be counted;

(c) include as Borrowers on the CalHome program promissory note all persons who will be or are on title to the property; and either

(1) in the case of a Rehabilitation Loan or if receiving Shared Housing Match services, be an owner-occupant and intend to continue occupying the home as a principal place of residence; or

(2) in the case of a Mortgage Assistance Loan or if receiving Self-Help Technical Assistance services, be a First-Time Homebuyer and intend to occupy the home as a principal place of residence.

Gross Household Income will be determined according to California Code of Regulations, Title 25, Section 6914, which is included below. All household occupants of 18 years or older will be included in the income qualifications calculations.

CalHome Gross Income Worksheets will be used to calculate gross income.

Household size will not include foster children, unborn children and children being pursued for custody or adoption who do not currently live in the home. Household size will include joint custody children who reside in the home 50% or more of the year.

Future income will be determined using a snap shot of current gross income and projected for 12 months. Exceptions to the projection of future income based on current income will be made according to valid documentation that the current income will change.

Income verification will be performed according to BHDC procedures and policies contained in Section 2, Establishing Program Eligibility, of the BHDC Program Policies and Guidelines.

Assets in excess of \$5,000 will be included in gross income as the greater of:

- a. Income derived from all net household assets, or
- b. 2.5% (passbook rate) of the value of such assets.

Assets shall be defined as the value of real property (other than the full-time residence), savings, accounts, stocks, bonds or any other form of capital investment. An asset does not include furniture or cars.

Assets are only significant to the BHDC CalHome Program in the determination of income qualification.

### **CCR, Title 25, § 6914. Gross Income**

"Gross income" shall mean the anticipated income of a person or family for the twelve-month period following the date of determination of income. If the circumstances are such that it is not reasonably feasible to anticipate a level of income over a twelve-month period, a shorter period may be used subject to a re-determination at the end of such a period. "Income" shall consist of the following:

**(a)** Except as provided in subdivision (b), all payments from all sources received by the family head (even if temporarily absent) and each additional member of the family household who is not a minor shall be included in the annual income of a family. Income shall include, but not be limited to:

1. The gross amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses;
2. The net income from operation of a business or profession or from rental or real or personal property (for this purpose, expenditures for business expansion or amortization of capital indebtedness shall not be deducted to determine the net income from a business);
3. Interest and dividends;
4. The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts;
5. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (but see subdivision (b)(3)).
6. Public Assistance. If the public assistance payment includes an amount specifically designated for shelter and utilities which is subject to adjustment by the public assistance agency in accordance with the actual cost of shelter and utilities, the amount of public assistance income to be included as income shall consist of:
  - a. The amount of the allowance or grant exclusive of the amount specifically designated for shelter and utilities, plus
  - b. The maximum amount which the public assistance agency could in fact allow for the family for shelter and utilities,
7. Periodic and determinable allowances such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling;
8. All regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is head of the family or spouse (but see subdivision (b)(5)).

Where a family has net family assets in excess of \$5,000, income shall include the actual amount of income, if any, derived from all of the net family assets or 10 percent of the value of all such assets, whichever is greater. For purposes of this section, net family assets means value of equity in real property other than the household's full-time residence, savings, stocks, bonds, and other forms of capital investment. The value of necessary items such as furniture and automobiles shall be excluded.

**(b)** The following items shall not be considered as income:

1. Casual, sporadic or irregular gifts;
2. Amounts which are specifically for or in reimbursement of the cost of medical expenses;
3. Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses;
4. Amounts of educational Scholarships paid directly to the student or to the educational institution, and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees,

books and equipment. Any amounts of such Scholarships, or payments to veterans not used for the above purposes of which are available for subsistence are to be included in income;

5. The special pay to a serviceman head of a family away from home and exposed to hostile fire;
6. Relocation payments made pursuant to federal, state, or local relocation law;
7. Foster child care payments;
8. The value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1964 which is in excess of the amount actually charged the eligible household;
9. Payments received pursuant to participation in the following volunteer programs under the ACTION Agency:
  - a. National Volunteer Antipoverty Programs which include VISTA, Service Learning Programs and Special Volunteer Programs.
  - b. National Older American Volunteer Programs for persons aged 60 and over which include Retired Senior Volunteer Programs, Foster Grandparent Program, Older American Community Services Program, and National Volunteer Program to Assist Small Business Experience, Service Corps of Retired Executive (SCORE) and Active Corps of Executives (ACE).

## V. LOAN UNDERWRITING PROCEDURES

The loan underwriting procedures for the BHDC CalHome Program are as follows:

1. AMI limits BHDC will offer the CalHOME down payment assistance program to households whose income does not exceed 80% (regardless of fire victim status) and up to 120% of the area median income (must qualify as a fire victim as defined below) per household size for the County in which the home is purchased. These loans will be limited to its service area of Napa and Sonoma Counties.
2. Fire Victims BHDC will offer the CalHOME loan program to households at 81%-120% of the AMI, provided those buyers qualify as fire victims, as determined by BHDC. This will include: Former First-time Homebuyer owners of a dwelling unit whose structure is not in compliance with building codes due to 2017, 2018, and 2020 disasters and where the dwelling unit cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure, or Former renters physically or economically displaced by 2017, 2018, and/ or 2020 disasters, in order assist them in purchasing newly constructed and existing homes and become first time homebuyer owner-occupants in affected counties (homes must be ready for occupancy).

For the purposes of this section, a fire victim will be described as someone who was impacted by the California wildfires in that they either 1) lost a residence or was displaced; 2) suffered an economic impact (job loss, income loss, loss of hours at work etc.); and/or 3) experienced 10% or greater housing cost increase post-fire. Fire victim status will only be required for the initial recipient of the CalHome funds and not be an ongoing requirement upon resale of the home and reuse of the funds. Homebuyers below 80% of the area median income will not be required to demonstrate fire victim impact.

3. The Housing Cost Ratio (which includes mortgage principal and interest, property taxes, mortgage insurance, homeowners insurance, and homeowner's association dues) shall not exceed 40% of



monthly gross income. In all cases, BHDC will strive to ensure the homebuyers' housing ratios are lower than this maximum threshold.

4. Total Household Debt Ratio (all misc. debts, car notes, credit cards including Housing Cost) shall be no greater than 45% unless compensating factors can be demonstrated.
5. Allowable Loan to Value Ratio The combined loan-to-value limits shall be calculated based on the lesser of the following: (1) appraised value; or (2) purchase price. The appraisal must have been completed within six months prior to the close of escrow. CLTV Limits based on total Secondary Assistance: Maximum CLTV 103%.
6. Loan applications All persons whose names are on the primary loan application shall have established credit in order for their incomes to be counted towards the gross household income calculated by the preferred lender. However, BHDC will count all income earned by household members (in accordance with CalHome regulations) even if a member does not have established credit when establishing income eligibility.
7. Credit Worthiness Minimum credit score of 620 is necessary to qualify for a CalHome loan.
8. Required documentation All applicants must submit Federal 1040 tax documents for the prior 3 years to BHDC, in addition to all income documentation that this program will require to verify and approve buyer.
9. Owner Occupancy All household members on title must certify the home will be owner-occupied. BHDC will certify this annually utilizing Attachment C Annual Occupancy Certification. Renting out the home will result in foreclosure of the BHDC second mortgage loan and the owner may have to pay any Excess Rental Proceeds that were collected.
10. Representations Any subsequent discovery by BHDC of fraudulent or untruthful representations by an applicant either in the original application process or during the mortgage loan qualification process will disqualify the applicant from purchasing the home.

## **VI. MAXIMUM CALHOME ASSISTANCE AMOUNTS**

The maximum amount of CalHome down payment assistance that can be provided to an eligible homebuyer is \$200,000.

### **CALHOME SUBSIDY DETERMINATION**

BHDC, with input from our preferred primary mortgage lender, will determine the size of the CalHome down payment assistance loan based upon the need of each qualifying household. In the high housing cost area that BHDC serves, the gap between what a homebuyer can afford for their first mortgage and the sales price of the home can exceed \$250,000. In most cases, CalHome loans will be only one of the down payment assistance sources needed to bridge the gap between the primary mortgage and sales price.

BHDC's preferred lender will provide a preliminary qualification letter stating the amount of the first mortgage loan that the household qualifies for based upon their household income and information provided in the loan application.

BHDC will then assist qualifying homebuyers in accessing other sources of down payment assistance through one or more programs offered by CalHFA, the City or the County where the home is located, or local housing trusts and foundations. CalHome will be used to bridge the remaining gap up to \$200,000.

## **VII. CALHOME LOAN TERMS**

1. The Program loan term shall be for 30 years.
2. The Program loan shall accrue 2% simple interest annually.
  - a. No payment of principal or interest shall be required by the borrower until the loan is due and payable.
  - b. The borrower may repay interest or principal at any time before the loan is due and payable without penalty.
  - c. Primary mortgages must be 30-year fixed, fully amortized loans.
  - d. Homebuyer will be required to impound taxes and insurance on the primary mortgage.
3. All subordinate financing provided in conjunction with a transaction where CalHome funds are present, shall also have deferred principal and interest payments, for a minimum term equivalent to the term of the BHDC CalHome Program loan. BHDC will ensure the CalHOME deed of trust and promissory note will be recorded subordinate to a performing deed of trust and when possible, will only subordinate its interest to a community second loan program that has a higher loan amount or strict priority requirement (such as BEGIN).
4. The loan principal and all accrued interest is fully due and payable upon the occurrence of any of the following:
  - a. Sale of the home
  - b. Any change in the title of the home, with the exception of the following:
    - i. to transfer the title to the surviving joint tenant on the death of a joint tenant (both names must have been on the original property title)
    - ii. to add the spouse of the current title holder
    - iii. to remove the spouse of the current title holder because of a divorce settlement (both names must have been on the original property title)
    - iv. to transfer to an inter vivos trust in which the name(s) on the original property title remain the beneficiary(ies) and occupant(s) of the property
  - c. Cash-out refinance of the primary mortgage (Non cash-out rate and term refinances will be permitted)
  - d. Leasing of home
  - e. Recording of additional encumbrance on the property.
  - f. In the event of default on the Program loan or the primary mortgage.
5. All repayments of Program loans will be deposited in the reuse bank account specifically established for the reuse of CalHome Program funds.
6. All CalHome reuse funds will be used in accordance with the BHDC CalHome Program Reuse Guidelines.

## VIII. LOAN MONITORING AND SERVICING PROCEDURES

See Attachment A – Loan Monitoring and Servicing Policies and Procedures. While the attached policy outlines a system that can accommodate a crisis that restricts borrower repayment ability, it should in no way be misunderstood: The loan must be repaid. All legal means to ensure the repayment of a delinquent loan as outlined in the Loan Servicing Policies and Procedures will be pursued.

## IX. REPORTING TO CALHOME

1. BHDC will provide HCD with quarterly performance reports as required.
2. Quarterly status reports will be provided to HCD no later than 30 days following the end of each quarter.
3. Quarterly reports will contain all required information on activities, planned activities, problems with fulfillment of the Standard Agreement, CalHome grant data, a financial summary section, and a signature, title and date.

## X. CALHOME PROGRAM REUSE PLAN

BHDC has created a CalHome Program Reuse Plan to establish the policies and procedures for the administration and use of income from activities funded under the CalHome Program. This Plan is intended to satisfy the requirements specified in State CalHome Program Regulations and CalHome Programs Statutes in Health and Safety Code 50868 et. Seq., permitting a unit of local government to retain program income for CalHome eligible affordable housing activities for moderate, low and very-low income households. Please see Attachment B titled **CalHome Program Reuse Plan**.

## XI. HOMEBUYER EDUCATION AND TRAINING PLAN

All homebuyers in BHDC's CalHome Program, shall be required to attend a sponsor-approved homebuyer education course which will be paid by utilizing grants from the CalHome Program that are dedicated to homebuyer education. BHDC, in conjunction with a certified homebuyer education provider will develop and offer a customized homebuyer education training program.

(1) Homebuyer Education shall include the following topics:

- (A) Preparing for homeownership;
- (B) Available financing and credit analysis;
- (C) Loan closing and homebuyer responsibilities;
- (D) Home maintenance and loan servicing.

(2) A certificate of successful completion of the required homebuyer education, a certificate shall be issued to each prospective homeowner and a copy retained in the homebuyer file. Copies will be available to HCD upon request.

## **XII. EXCEPTIONS AND SPECIAL CIRCUMSTANCES**

Although very unlikely, any case in which a standard policy or procedure, as stated in the guidelines, does not apply (for example: justifiable exceptions to a borrowers housing ratios), **BHDC** may consider a loan exception.

### **PROCEDURE FOR EXCEPTIONAL CIRCUMSTANCES**

- A. BHDC may initiate consideration of an exception and prepare a report. This report shall contain a narrative, including the Sponsor's recommended course of action and any written or verbal information supplied by the applicant.
- B. BHDC shall make a determination of the exception based on the recommendation Program staff. The request can be presented to the Sponsor's loan committee and/or governing body for a decision.