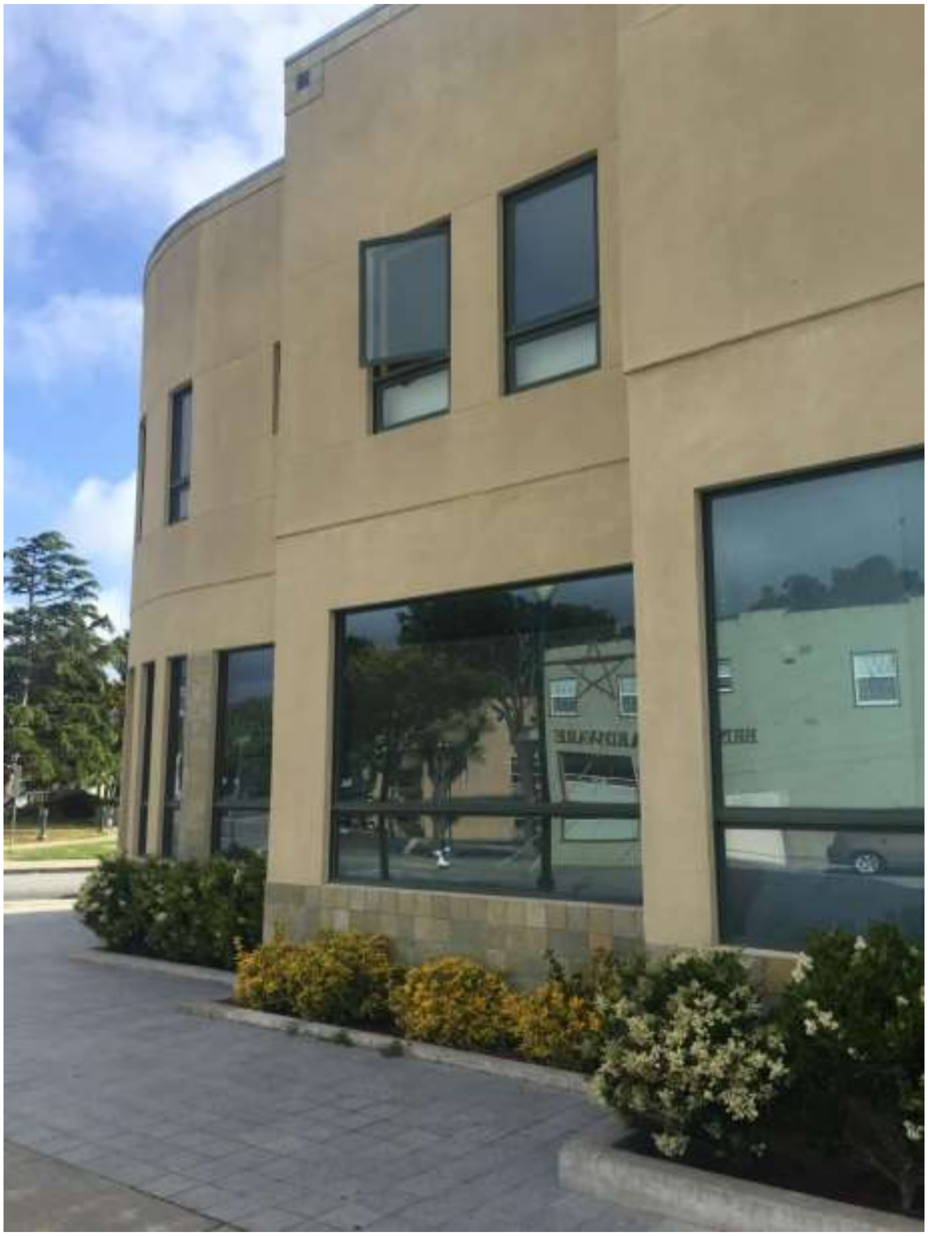
Brisbane First Time Homebuyer Program Manual



Brisbane Housing Authority
50 Park Place
Brisbane, CA 94005

2019

Brisbane Housing Authority

This First Time Homebuyer Program Manual was adopted by the Brisbane Housing Authority via Resolution HA 2019-01 and may be amended from time to time.

The Program is administered by the City of Brisbane Community Development Department. Questions about the Program may be directed to the Community Development Department:

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First Time Homebuyer Program
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Brisbane, CA 94005

Section 1. Program Description

A. Introduction

The Brisbane Housing Authority (the Authority) is pleased to offer the Brisbane First Time Homebuyer Program, hereinafter referred to as the Program. The Authority recognizes the serious financial obstacles that low and moderate income households face in attempting to achieve the "American Dream" of home ownership. Because of the high cost of purchasing a home, many low and moderate income households are forced to choose between permanently renting or relocating outside of the community in order to buy their first home. The Program provides financial assistance in the form of a "silent" second mortgage. The Program is available for low and moderate income households of single-family homes or condominiums located anywhere within the City of Brisbane. It will serve qualified, low and moderate income households if one or more of the applicants is a first time home buyer (as defined herein) and, if for at least within one year from the date the application to determine eligibility is filed, one or more of the applicants

1. Has been a resident of Brisbane; or
2. Has an immediate family member (parent, child or sibling) who has been a resident of Brisbane; or
3. Has his/her primary employment (largest source of income) located within the City of Brisbane; or
4. Has been primarily employed by the Brisbane School District, the Jefferson Union High School District or the San Mateo County Community College District.

A low income household is a household whose income does not exceed the maximum gross income, adjusted for household size, for a Lower Income Household in San Mateo County, as defined and published annually by the California Department of Housing and Community Development (HCD). A moderate income household is a household whose income, adjusted for household size, does not exceed 120% of the Median Income in San Mateo County, as defined and published annually by HCD.

This Program may coordinate with the California Housing Finance Agency's Mortgage Credit Certificate Program ("MCC") which offers a federal income tax credit to first time homebuyers. However, the MCC program has different income limits than the Program and a buyer eligible for the Program may not qualify for a mortgage credit certificate. The Authority will advise applicants regarding eligibility for the MCC program and how to apply for it.

B. Silent Second Mortgage Program

The Program will provide a loan to qualified, low-income or moderate income households, who are first time homebuyers, up to $200,000 for the purchase of a home. The actual loan amount will be the difference*, up to $200,000, between the purchase price and the sum of the down payment and the maximum first mortgage amount that is affordable to the household under State law (see Affordability Requirement, Sec. 1.D.5., below), or the maximum first mortgage for which the buyer can qualify on the basis of income, whichever is less.

*If this difference is greater than $200,000 for a low or moderate-income household, the borrower must increase the down payment by an amount sufficient to complete the purchase of the home. The first mortgage amount may not be greater than an amount that results in an affordable housing cost under State law (see Affordability Requirement, Sec. 1.D.5., below) or the household will not be eligible for Authority assistance.

1. **Minimum Down Payment.** The household will be required to make a down payment of at least 3% of the purchase price and cover normal closing costs associated with the purchase of a home. The first mortgage lender may require a larger down payment. Fees payable to any Authority contractors, which may include real estate brokers or agents, will be paid by the Authority, not the household.

2. **Loan Term.** The loan term will be for 45 years; zero percent interest with contingent interest (Shared Appreciation) and principal due at the occurrence of a "triggering event". A triggering event includes; 1) a sale, lease, or unauthorized transfer of the property within ten (10) years of initial purchase by the homebuyer, 2) default on the terms of the Authority loan, Resale Restriction Agreement, or First Lender Loan, and 3) maturity (end of the 45 year term of the Authority loan). Events that trigger repayment of the loan principal and contingent interest are fully spelled out in the Promissory Note, Deed of Trust and Resale Restriction Agreement documents which are in Section 3 of this Manual.

   Contingent interest will be a portion of the appreciation of the property ("Shared Appreciation") at the time of the triggering event. Appreciation is primarily the difference between the original purchase price and the sale price of the property as determined by the Resale Restriction Agreement. For a triggering event other than a sale of the property, the appreciated value of the property will be determined by an appraisal or mutual agreement between the household and the Authority. The share of appreciation due as contingent interest will be equal to the ratio of the Authority loan to the purchase price. The Authority has the discretion to reduce or waive its share of "Shared Appreciation" if the selling household has resided on the property for ten years or less.

   For example, if the property sold to the household for $400,000 and the Authority loan was $100,000, the Authority loan represents 25% of the purchase price of the property. The contingent interest would thus be 25% of any appreciation. If the property were sold for $500,000, the appreciation would be $100,000 and the contingent interest would be 25% of that amount or $25,000. (Appreciation Amount and Shared Appreciation are more fully defined in the Promissory Note and Resale Restriction Agreement, which are in Section 3 of this Manual).

3. **Resale Restrictions.** As a condition of receiving the Authority loan, and to guarantee that the property remains affordable for at least the 45 year term of the loan, the

household will be required to sign and record a Resale Restriction Agreement against the property, which will limit the future resale price of the property. The Agreement will require that if the household wishes to sell the property, the Authority will have the option to purchase the property at the restricted price. The Authority may, instead of itself purchasing the property, assign its right to purchase the property to another public agency, a nonprofit corporation, or to an Eligible Purchaser. Should the Authority exercise its option to purchase the property at the restricted price, the Authority may adjust the subsequent sales price of the unit upon resale to an eligible purchaser.

If the Authority does not exercise its option to purchase the property, the property must be sold to a low income household if the current household is low income or to a low or moderate income household if the current household is a moderate income household and the new household, upon approval by the Authority, will be able to receive a new loan from the Authority for the amount of outstanding principal and the contingent interest amount due under the Authority loan. The maximum resale price of the property will be set according to an index based on the cumulative increase in the median income for San Mateo County as published by HCD. The resale restriction will remain in effect for 45 years from the close of escrow. The Authority's option to purchase and the restrictions on resale of the property are fully spelled out in the Resale Restriction Agreement which is included in Section 3 of this Manual. The restricted price may be adjusted to reflect the value of Eligible Capital Improvements. (See Section 1.C.6., below)

C. Household's' Eligibility Requirements

A household is eligible for the Program if it meets the following criteria.

1. <u>First Time Homebuyer</u>

A "First time Homebuyer" is defined as an individual who has not had any ownership interest such as fee simple, joint tenancy, tenancy in common, life estate, shareholder in a cooperative, or interest held in trust for the individual that would constitute an ownership interest if held by the individual, in his/her primary residence, in the past three years as of the date of application. All persons in the household who will be on title must meet the first time homebuyer requirement.

In addition, an individual who is divorced or legally separated from his or her spouse is also considered a first time homebuyer if the individual, while married, owned property with his or her spouse but no longer has an ownership interest in the property as a result of a court approved dissolution proceeding or property settlement.

2. <u>Household Income</u> - *See Attachment #1, Income Limits*

A moderate income household's income must not exceed 120% of the median income for San Mateo County, adjusted for household size, as published annually by the California Department of Housing and Community Development (HCD). A low income household's income must not exceed the lower income limit for San Mateo County, adjusted for household size, as published annually by HCD.

"Household" shall be defined as a single person or two or more persons sharing residency whose income resources are available to meet the household's needs and who are related by blood, marriage or operation of law, or who have registered as domestic partners, or who give evidence of a stable relationship which has existed over a period of one year. In addition, all co-owners and/or co-borrowers shall be considered as part of the household for purposes of determining program eligibility.

Pursuant to Title 25 California Code of Regulations, §6914, "gross income" shall mean the anticipated income of a person or household 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.

"Gross Income" shall consist of the following:

a) Except as provided in subdivision (b), all payments from all sources received by each member of the household who is not a minor shall be included in the income of a household. 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 on the property;

8) All regular pay, special pay and allowances of a household member of the Armed Forces (whether or not living on the property) who is head of the family or spouse (but see subdivision (b)(5)).

Where a household has net assets in excess of $60,000, income shall include the actual amount of income, if any, derived from all of the net household assets or 10 percent of the value of all such assets, whichever is greater. For purposes of this section, net household 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 household 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 member of the Armed Services who is the 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).

Current income from all household members over the age of 18 who are not full time students, listed for purposes of qualifying under the household size criteria, must be included for purposes of qualifying under household size income criteria. (If an individual is counted as a member of the household in order to meet the household size income limit criteria, then that member's income must also be included in the determination of household income.) For additional information regarding Co-Borrowers' requirements, see Program Requirements, 1.E.4., below.

3. <u>Live or Work in the City of Brisbane</u>

The household must demonstrate to the Authority that for at least one year immediately prior to the date of application and currently, one or more members of the household has either:

a) Established his/her primary residence in the City of Brisbane; or
b) Established his/her primary source of employment (largest source of income) in the City of Brisbane.

4. <u>Immediate Family Member is a Current Brisbane Resident</u>

As an alternative to 3 above, a household may qualify for the Program if one or more members of the household has a parent or a sibling who, for at least one year prior to the date of the household's application, has established his/her primary residence in the City of Brisbane.

5. <u>Employee of a School District Serving Brisbane</u>

As an alternative to 3 and/or 4, above, a household may qualify for the Program if one or more members of the household has, for a period of at least one year from the date of the household's application, had his/her primary source of employment with the Brisbane School District, the Jefferson Union High School District or the San Mateo County Community College District.

6. Qualify for a First Mortgage

The household must qualify for a first mortgage secured by a deed of trust on the property from a lender approved by the Authority, which lender will use Freddie Mac or Fannie Mae affordable lending qualifying criteria or other prudent and appropriate qualifying criteria commonly used in the lending industry.

The down payment requirement will be determined by the first mortgage lender; however, the combined loan to value (CLTV) of the first mortgage, the Authority's loan and any Authority approved loans junior to the Authority's loan shall not exceed 97%.

D. Property Requirements

1. Purchase Price

The purchase price shall be defined as the total cost of acquiring the property, including all amounts paid by the purchaser as consideration for the property but not including the usual and reasonable closing costs related to the purchase of the property by the purchaser, such closing costs to include expenses for title insurance, county transfer tax, recording fees, "points" and legal fees.

a) Maximum purchase price for property that is not part of a "Below Market Rate" project nor subject to a pre-existing Resale Restriction Agreement.

The maximum purchase price for the property eligible for assistance under the Program shall be the median sales price for property comparable to the property in question for the previous twelve months in the City of Brisbane as published by data reporting services generally used in the real estate industry to report such sales prices. If there is no such comparable property, then the maximum purchase price shall be the median sales price for property comparable to the property in question for the previous twelve months in San Mateo County.

b) Maximum purchase price for property that is part of a "Below Market Rate" project or is subject to a pre-existing Resale Restriction Agreement.

The maximum purchase price for the property eligible for assistance under the Program shall be as set forth in the Below Market Rate project program documents or in the pre-existing Resale Restriction Agreement applicable to the property.

2. Location

The property must be located within the City limits of Brisbane.

3. Single Family Residence

The property must be a single family residence defined as an attached or detached residential unit or condominium which allows the Authority loan to be secured by the Program's standard deed of trust.

4. Primary Residence- Rental Prohibited

The purpose of this Program is to assist qualified households to purchase their primary residence in Brisbane. THE PROPERTY MUST BE OCCUPIED BY THE MEMBERS OF THE HOUSEHOLD. USE OF THE PROPERTY FOR RENTAL PURPOSES IS NOT ALLOWED AND WILL CAUSE THE AUTHORITY LOAN TO IMMEDIATELY BECOME DUE AND PAYABLE, ALONG WITH PENALTIES AND THE HOUSEHOLD COULD BE REQUIRED TO SELL THE PROPERTY TO THE AUTHORITY OR A NEW, QUALIFIED HOUSEHOLD.

5. Property Size

For the household being assisted to be eligible for Authority funds, the property must be the appropriate size for the household. Appropriate property sizes based on the number of household members is as follows:

Number of People in Household	Number of Bedrooms in Property
1-2 people	1 bedroom
2-3 people	2 bedrooms
3-4 people	3 bedrooms
5+ people	4 bedrooms

The minimum number of bedrooms appropriate for households of more than five people shall be subject to approval on a case by case basis consistent with all applicable State and City policies regarding occupancy and overcrowding.

6. Affordability Requirement

For the household being assisted to be eligible for Authority funds, the household's housing cost must not exceed the affordable housing cost as defined by California Health & Safety Code §50052.5(b) and Title 25, California Code of Regulations, §6920, except where modified by this Program manual. Housing cost includes all of the following costs associated with a particular housing unit: (a) principal and interest on mortgage loans, and any loan fees associated therewith; (b) property taxes and assessments; (c) fire and casualty insurance;

(d) property maintenance and repairs; (e) a reasonable allowance for utilities not including telephones; (f) homeowners association fees; and (g) space rent, if any.

Utility allowances shall be based on U.S. Department of Housing and Urban Development (HUD) forms as calculated annually by the San Mateo County Department of Housing. Current utility allowances are attached to this Manual, as appropriate to the specific housing unit under consideration for the loan.

If the maximum Authority loan and the maximum affordable first mortgage loan are not sufficient to complete the purchase of the property, the household must increase the down payment by an amount sufficient to cover the difference or the household will not be eligible for Authority assistance.

a) Moderate Income Households

The total housing cost for any moderate income household may not be less than 28% of that household's actual income. Additionally, the maximum affordable housing costs for moderate income households shall be calculated as follows:

- For a moderate income household earning up to 110% of the area median income ("AMI"), the maximum affordable housing cost is 35% of 110% of AMI, adjusted for household size. An example of this calculation is described in the table below using 2018 San Mateo County household income levels for two different hypothetical households.

	Household size	AMI for household size	Gross income	Gross income as % of AMI	Max. housing cost	Min. housing cost
Household 1	4	$118,400	$118,400	100%	35% x $130,240 / 12 mos = $3,799/ month	28% x $118,400 = $2,763/month
Household 2	4	$118,400	$130,240	110%		28% x $130,240 = $3,039/month

- For moderate income households earning between 110% and 120% of AMI, the maximum affordable housing shall not exceed 38% of the household's income. An example of this calculation is described in the table below using 2018 San Mateo County household income levels for two different hypothetical households.

	Household size	AMI for household size	Gross income	Gross income as % of AMI	Max. housing cost	Min. housing cost
Household 3	4	$118,400	$136,160	115%	38% x $136,160/ 12 mos = $4,311/ month	28%x $136,160/ 12 mos =

						3,177/month
Household 4	4	$118,400	$142,080	120%	38% x $142,080 / 12 mos = $4,499/ month	28%x $142,080/ 12 mos = 3,315/month

b) Low Income Households

- For low income households earning between 50% and 70% AMI, the maximum affordable housing cost is 30% of 70% of AMI, adjusted for household size. An example of this calculation is described in the table below using 2018 San Mateo County household income levels for two different hypothetical households.

	Household size	AMI for household size	Gross income	Gross income as % of AMI	70% of AMI for household size	Max. housing cost
Household 1	4	$118,400	$76,960	65%	$82,880	30% x $82,880 / 12 mos = $2,072/ month
Household 2	4	$118,400	$82,880	70%		

- The maximum affordable housing cost for a low income household earning between 70% AMI and the lower income limit for San Mateo County, as published annually by HCD, is 38% of the income of the household. An example of this calculation is described in the table below using 2018 San Mateo County household income levels for two different hypothetical households.

	Household size	AMI for household size	Gross income	Gross income as % of AMI	Max. housing cost
Household 3	4	$118,400	$88,800	75%	38% x $88,800 / 12 mos = $2,812 /month
Household 4	4	$118,400	$112,480	95%	38% x $112,480 /12 mos = $3,561 /month

7. <u>Capital Improvements</u>

If the household who purchased the property with a Program loan has made Eligible Capital Improvements, as defined in Section 2.H below, to the property that the household wishes to include in the calculation of the restricted sales price for the property (see Section 1.B above), a description of the improvements, the date the improvements were made, a copy of the letter granting prior Authority approval of the improvements, evidence of cost of the improvements, and an appraisal of the value added to the property by the Eligible Capital Improvements must be submitted to the Authority at the time the household notifies the Authority of the household's intention to sell the property

The adjustment to the restricted sales price for such Eligible Capital Improvements shall be limited to increases in value to the property as a result of the improvements as determined by an appraisal, including any depreciation in value of the capital improvements since the time of installation, and not the cost of construction of the improvements to the property. The restricted sales price shall include a downward adjustment, where applicable, in an amount necessary to repair any violations of applicable building, plumbing, electric, fire or housing codes or any other provisions of the Brisbane Building Code, as well as any other repairs needed to put the property into a "sellable condition". Items necessary to put the property into sellable condition shall be determined by the Authority or its designee, and may include cleaning, painting and making needed structural, mechanical, electrical, plumbing and fixed appliance repairs and other deferred maintenance repairs.

The rules pertaining to improvements to the property are fully spelled out in the Resale Restriction Agreement which is included in Section 3 of this Manual.

E. Other Program Requirements

1. Completion of Homebuyer Class, Course, Workshop, or Training

In order to participate in the Program, it is required that all members of the household who will be on title attend a first time homebuyer workshop, training, or class approved by the Authority. Online courses may be substituted for in-person classes with previous authorization from the Authority. Evidence of completion of a first time homebuyer workshop or class will be required as part of the application package.

2. Application

Applications will be processed on a first come, first served basis. ONLY complete applications will be accepted. All applications will be submitted to the Authority for consideration. The Authority will conduct a lottery (based on household income and household size) if there is more than one household eligible for an Authority loan or resale opportunity.

3. Inheritance

In the event of death of a member of the household, there are limitations on the ability of the person’s heirs to retain ownership of the property and to assume the Authority loan. An heir may retain ownership of the property and receive a new Authority loan if the heir is in the same or lower income category as the person who died. In other words, if the person who died received a loan of up to $100,000 as a moderate income household, if an heir would be considered a low or moderate income household, the heir may assume the loan. If, in this case, the heir would be considered a low income household, the heir may apply to the

Authority for additional assistance but the Authority is under no obligation to grant additional assistance to the heir. If the person who died received a loan of up to $200,000 as a low income household, the heir must also be considered a low income household in order for the loan to be assume. If the heir would not be considered a low or moderate income household, the heir must sell the property to the Authority or an Eligible Purchaser within one year from the time the heir takes title to the property. A non-qualifying heir is not required to occupy the property prior to the sale but if the property is rented, the tenant must be a low or moderate income household and the rent must be set at an affordable rent level as defined by the Authority. The rental agreement must be approved in advance by the Authority.

The rules pertaining to inheritance are fully spelled out in the Resale Restriction Agreement which is included in Section 3 of this Manual.

Section 2. Administration and Procedure

A. Introduction

The Authority may hire a consultant to administer the Program and assist households in completing the necessary application forms and performing all the steps necessary to complete the home buying process. In general, those interested in participating in the Program will work with the Authority's consultant or directly with the Authority, as applicable, to apply for the Program. The Authority's consultant may also work with applicants to assist with the first mortgage loan application procedures. The Program eligibility application must be completed in addition to the application for a mortgage from the first mortgage lender. The Authority will document the applicant's eligibility for the Program and compliance with the Authority's housing policy requirements.

The Brisbane Housing Authority is the sponsor for the Program and the funds for the Program come from the Authority's Low and Moderate Income Housing Fund. All loans made under this Program must comply with the requirements of applicable State law. The Authority may delegate the administrative functions of the Program to its consultant.

B. Loan Origination and Homeownership Program Application

1. A household ("the applicant") applies for the Program by completing a Program eligibility application. The information on the application will be verified in the same manner as information on the first mortgage lender's application is verified.

2. To verify an applicant's first time homebuyer status, the Authority and/or the Authority's consultant will need to examine the applicant's federal income tax returns for the last three years.

3. The Authority or the Authority's consultant will certify that both the applicant and the property meet the Program criteria and are eligible for assistance.

4. The Authority or the Authority's consultant will calculate the appropriate Authority loan amount using the Eligibility Worksheet

   An applicant applies for a first mortgage as instructed by the first mortgage lender. The first mortgage lender will process the application using its standard procedure.

C. Underwriting Requirements

1. Fannie Mae and/or Freddie Mac has established requirements for the underwriting of first mortgage loans. The Authority's intent is to approve loans that follow these guidelines. The Authority will maintain a list of approved first mortgage lenders that will accept the Authority's subordinate loan.

2. Households must demonstrate compliance with the Borrower's Eligibility Requirements (Section 1. C.), Property Requirements (Section 1. D.) and Other Program Requirements (Section 1. E.).

3. The first mortgage loan must have a fixed interest rate for at least the first five years of the loan term.

4. The household must make a down payment of at least three percent (3%) of the purchase price. Up to one percent (1%) may come from grants, gifts, or forgivable loans, if acceptable to the first mortgage lender. The remaining two percent (2%) must come from the household's own funds.

5. It is expected that a household will make as much of a down payment that is reasonable, taking into account the household's assets, net income and expenses. After making the down payment, the household may retain no more than $60,000 in net financial assets, excluding tangible personal property.

D. Authority Loan Approval

1. Once the lender has approved the first mortgage, the lender will submit to the Authority a reservation request packet, which will include:

   - Reservation of Fund Request
   - Income Eligibility Calculation Sheet
   - Signed Disclosure and FAQ

2. The Authority will review the reservation request packet. Both the lender and the applicant will be informed within 72 hours of loan reservation approval or denial.

3. The Authority will prepare the following documents for processing:

- ❑ Request for Disbursement Set-up
- ❑ Wiring information
- ❑ Loan Agreement
- ❑ Pre-approval letter
- ❑ Promissory Note
- ❑ Deed of Trust
- ❑ Truth in Lending
- ❑ Escrow instructions

E. Loan Closing

1. The first mortgage lender will prepare its loan documents in its normal manner. In addition, a copy of the first mortgage lender's escrow instructions will be provided to the Authority.

2. The Authority will have its loan documents signed and delivered to escrow for the household to sign.

3. Both the first mortgage and the Authority's second mortgage documents will be executed by the household in escrow.

4. The escrow company will send the first mortgage lender and the Authority complete sets of all documents signed in escrow. .

5. Upon review and approval of the Funding Packet, the Authority will deposit funds into the escrow. Lender and the applicant are advised to allow at least 10 days from receipt by the Authority of the Authority acknowledgment and acceptance of the Authority's loan approval containing loan terms and conditions to close escrow.

6. A Lenders' CLTA Title Insurance for the Authority loan will be required.

7. Hazard Insurance as required by the first mortgage lender will also be required by the Authority.

F. Subordination

Subordination of the Authority's second mortgage will be limited to households that:

1. Are refinancing an existing first mortgage for the purposes of reducing their monthly housing expenses or financing capital improvements to the property which have been approved by the Authority *;

-and –

2. Are refinancing no more than the amount of the principal balance of the first mortgage plus the cost of refinancing and the cost of any Authority approved capital improvements*, if any;

-and –

3. Are not taking any cash out of the refinance other than permitted above*;

-and -

a. 4 Have sufficient equity in the property so that the total loans to value is at least the same after the refinance as it was when the property was purchased.

-and -

4. The total new housing cost does not exceed Affordable Housing Cost as defined by State Law. (See Affordability Requirement, Sec. 1.D.5.)

Loans made by other public agencies for the purpose of increasing affordable home ownership opportunities may also be permitted with prior approval by the Authority.

*The household must provide assurance to the satisfaction of the Authority that the funds will be utilized for the construction of the approved capital improvements. Only Eligible Capital Improvements, as described in Section 2.H., below, will be approved by the Authority for this purpose.

G. Junior Loans

Loans junior to the Authority's second mortgage (third mortgages and equity lines of credit) are prohibited without the express written consent of the Authority. Junior loans shall be approved only under the following conditions:

1. The total new housing cost does not exceed Affordable Housing Cost as defined by State Law. (See Affordability Requirement, Sec. 1.D.5.)

2. There is sufficient equity in the property so that the total loans to value is at least the same after adding a junior loan as it was when the property was purchased.

3. The proceeds are to be used only for capital improvements to the property that have been approved by the Authority*.

Loans made by other public agencies for the purpose of increasing affordable home ownership opportunities are also permitted with prior approval by the Authority.

*The household must provide assurance to the satisfaction of the Authority that the funds will be utilized for the construction of the approved capital improvements. Only Eligible Capital Improvements, as described in Section 2.H., below, will be approved by the Authority for this purpose.

H. Eligible Capital Improvements

The Authority shall not approve financing for capital improvements except for those that meet the following criteria:

1. Those improvements made or installed by the household or the household's contractor which conform to applicable building codes at the time of installation.

2. Those improvements that are approved in writing in advance by the Authority or its designee.

3. The costs of the improvements exceed Two Thousand Dollars ($2,000) or more.

4. The improvements will extend the useful life or improve the functionality of the property.

5. The improvements are installed with all required permits from the City of Brisbane.

I. Loan Servicing

Loan servicing will be provided by the City of Brisbane Finance Dept. Some of the loan servicing duties may be provided by an outside organization that reports directly to the City of Brisbane Finance Dept.

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Attachment 1

Housing Income Limits

Attachment 1

2019 San Mateo County Household Income Limits

County	Income Category	Number of Persons in Household							
		1	2	3	4	5	6	7	8
San Mateo County	Extremely Low	33850	38700	43550	48350	52250	56100	60000	63850
	Very Low Income	56450	64500	72550	80600	87050	93500	99950	106400
Area Median Income:	Low Income	90450	103350	116250	129150	139500	149850	160150	170500
$136,800	**Median Income**	95750	109450	123100	**136800**	147750	158700	169650	180600
	Moderate Income	114900	131300	147750	164150	177300	190400	203550	216700

Source:
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT, DIVISION OF HOUSING POLICY DEVELOPMENT
May 6, 2019
Subject to annual adjustment by HCD

2019 State Income Limits Briefing Materials
California Code of Regulations, Title 25, Section 6932

Overview

The Department of Housing and Community Development (HCD), pursuant to Health & Safety Code Section 50093(c), must file updates to its State Income Limits with the Office of Administrative Law. HCD annually updates these income limits based on U.S. Department of Housing and Urban Development (HUD) revisions to the Section 8 Income Limits that HUD released on April 24, 2019.

HUD annually updates its Section 8 Income Limits to reflect changes in median family income levels for different size households and income limits for extremely low-, very low-, and low-income households. HCD, pursuant to statutory provisions, makes the following additional revisions: (1) If necessary, increase a county's area median income to equal California's non-metropolitan median income, (2) adjusts area median income and household income category levels to not result in any decrease for any year after 2009 pursuant to HCD's February 2013 Hold Harmless (HH) Policy. HCD's HH Policy was implemented to replace HUD's HH Policy, discontinued in 2009, to not decrease income limits and area median income levels below a prior year's highest level and, (3) determines income limits for California's moderate-income category.

Following are brief summaries of technical methodologies used by HUD and HCD in updating income limits for different household income categories. For additional information, please refer to HUD's briefing materials at https://www.huduser.gov/portal/datasets/il//il19/IncomeLimitsMethodology-FY19.pdf.

HUD Methodology

HUD Section 8 Income Limits begin with the production of median family incomes. HUD uses the Section 8 program's Fair Market Rent (FMR) area definitions in developing median incomes, which means developing median incomes for each metropolitan area, parts of some metropolitan areas, and each non-metropolitan county. The 2019 FMR area definitions for California are unchanged from last year. HUD calculates Section 8 Income Limits for every FMR area with adjustments for family size and for areas with unusually high or low family income or housing-cost-to-income relationships.

Extremely Low-Income
In determining the extremely low-income limit, HUD uses the Federal Poverty Guidelines, published by the Department of Health and Human Services. HUD compares the appropriate poverty guideline with 60% of the very low-income limit and choose the greater of the two. The value may not exceed the very low-income level.

Very Low-Income
The very low-income limits are the basis for all other income limits. The very low-income limit typically reflects 50 percent of median family income (MFI) and HUD's MFI figure generally equals two times HUD's 4-person very low-income limit. HUD may adjust the very low-income limit for an area or county to account for conditions that warrant special considerations. As such, the very low-income limit may not always equal 50% MFI.

Low-Income
In general, most low-income limits represent the higher level of: (1) 80 percent of MFI or, (2) 80 percent of state non-metropolitan median family income. However, due to adjustments that HUD sometimes makes to the very low-income limit, strictly calculating low-income limits as 80 percent of MFI could produce unintended anomalies inconsistent with statutory intent (e.g. very low-income limits being higher than low-income limits).Therefore, HUD's briefing materials specify that, with some exceptions, the low-income limit reflect 160 percent of the very low-income limit.

HUD may apply additional adjustments to areas with unusually high or low housing-costs-to-income relationships and for other reasons. This could result in low-income limits exceeding MFI.

Median Family Income/Area Median Income

HUD references and estimates the MFI in calculating the income limits. California law and State Income Limits reference Area Median Income (AMI) that, pursuant to Health & Safety Code 50093(c), means the MFI of a geographic area, estimated by HUD for its Section 8 Program.

HUD's calculations of Section 8 Income Limits begin with the production of MFI estimates.
This year, MFI estimates use the 2016 American Community Survey. HUD then adjusts the survey data to account for anticipated income growth by applying the Consumer Price Index inflation forecast published by the Congressional Budget Office through mid-2019. HUD uses the MFI to calculate very low-income limits, used as the basis to calculate income limits for other income categories. For additional information, please see HUD's methodology describing 2019 MFI's at https://www.huduser.gov/portal/datasets/il/il19/Medians-Methodology-FY19r.pdf.

Adjustment Calculations

HUD may apply adjustments to areas with unusually high or low family income, uneven housing-cost-to-income relationship, or other reasons. For example, HUD applies an increase if the four-person very low-income limit would otherwise be less than the amount at which 35 percent of it equals 85 percent of the annualized two-bedroom Section 8 FMR (or 40th percentile rent in 50th percentile FMR areas). The purpose is to increase the income limit for areas where rental-housing costs are unusually high in relation to the median income.

In certain cases, HUD also applies an adjustment to the income limits based on the state non-metropolitan median family income level. In addition, HUD restricts adjustments so income limits do not increase more than five percent of the previous year's very low-income figure OR twice the increase in the national MFI, whichever is greater. For the 2019 income limits, the maximum increase is 10% from the previous year. This adjustment does not apply to the extremely low-income limits.

Please refer to HUD briefing materials for additional information on the adjustment calculations.

Income Limit Calculations for Household Sizes Other Than 4-Persons

The income limit statute requires adjustments for family size. The legislative history and conference committee report indicates that Congress intended that income limits should be higher for larger families and lower for smaller families. The same family size adjustments apply to all income limits, except extremely low-income limits, which are set at the poverty income threshold. They are as follows:

Number of Persons in Household:	1	2	3	4	5	6	7	8
Adjustments:	70%	80%	90%	Base	108%	116%	124%	132%

Income Limit Calculations for Household Sizes Greater Than 8-Persons

For households of more than eight persons, refer to the formula at the end of the table for 2019 Income Limits. Due to the adjustments HUD can make to income limits in a given county, table data should be the only method used to determine program eligibility. Arithmetic calculations are applicable only when a household has more than eight members. Please refer to HUD's briefing material for additional information on family size adjustments.

2019 State Income Limits Briefing Materials
California Code of Regulations, Title 25, Section 6932

HCD Methodology

State law (Health & Safety Code Section 50093, et. seq.) prescribes the methodology HCD uses to update the State Income Limits. HCD utilizes HUD's Section 8 Income Limits. HCD's methodology involves: (1) if necessary, increasing a county's median income established by HUD to equal California's non-metropolitan county median income determined by HUD, (2) applying HCD's HH Policy, in effect since 2013, to not allow decreases in area median income levels and household income category levels, (3) applying to the median income the same family size adjustments HUD applies to the income limits, and (4) determining income limit levels applicable to California's moderate-income households defined by law as household income not exceeding 120 percent of county area median income.

Area Median Income and Income Category Levels

HCD, pursuant to federal and State law, adjusts median income levels for all to counties so they are not less than the non-metropolitan county median income established by HUD ($64,800 for 2019). Next, HCD, for all counties, applies its HH policy to ensure area median income and income limits for all household income categories do not fall below any level achieved in the prior year.

Moderate-Income Levels

HCD is responsible for establishing California's moderate-income limit levels. After calculating the 4-person area median income (AMI) level as previously described, HCD sets the maximum moderate-income limit to equal 120 percent of the county's AMI.

Applicability of California's Official State Income Limits

Applicability of the State Income Limits are subject to particular programs as program definitions of factors such as income, family, and household size vary. Some programs, such as Multifamily Tax Subsidy Projects (MTSPs), use different income limits. For MTSPs, separate income limits apply per provisions of the Housing and Economic Recovery Act (HERA) of 2008 (Public Law 110-289). Income limits for MTSPs are used to determine qualification levels as well as set maximum rental rates for projects funded with tax credits authorized under Section 42 of the Internal Revenue Code (Code). In addition, MTSP income limits apply to projects financed with tax-exempt housing bonds issued to provide qualified residential rental development under Section 142 of the Code. These income limits are available at http://www.huduser.org/datasets/mtsp.html.

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Section 3. Promissory Note, Deed of Trust and Resale Restriction Agreement Templates

Not included