



**TOWN OF TRUCKEE  
FIRST-TIME HOMEBUYER  
DOWN PAYMENT ASSISTANCE  
PROGRAM GUIDELINES**

**FUNDED BY:**

**TOWN OF TRUCKEE  
HOUSING FUNDS  
AND  
TOWN OF TRUCKEE  
REDEVELOPMENT AGENCY  
FUNDS**

**APPROVED BY:**

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**TOWN OF TRUCKEE  
FIRST-TIME HOMEBUYER  
DOWN PAYMENT ASSISTANCE  
PROGRAM GUIDELINES**

**1.0. GENERAL**

The Town of Truckee has established a new housing financing loan program called the First-Time Homebuyer Down Payment Assistance Program (“the Program”). This Program can provide eligible first-time homebuyers with down payment assistance to help with the purchase of existing homes within the Town of Truckee. Using the Program, homebuyers may have the opportunity to purchase a market-rate home in a more affordable and sustainable way, due to a reduced up-front debt burden.

The Program provides down payment assistance loans, with the amount determined by a sliding scale of up to \$90,000 to income-qualified homebuyers, based on income level and individual qualifications. The Program targets three income levels - low, moderate and above-moderate income households- with a funding allocation and requirements for each income level. For low and moderate-income category homebuyers, the Program goal is to provide down payment assistance to help obtain homeownership, while keeping housing costs affordable. For above-moderate category homebuyers, the Program goal is to assist with a down payment to help obtain homeownership. The Program requires that participants live or work in the Town of Truckee. Available Program funding sources allow for placing at least 20 households into newly purchased homes. Existing single-residency, for-purchase homes within the Truckee Town Limits that are within the Program price limitations would qualify for purchase. As a result of this Program, local residents and workers, who otherwise may not be able to enter the home ownership market, may be able to purchase an existing market-rate home within the Town of Truckee.

**1.1. PROGRAM OUTREACH AND MARKETING**

Town staff, in conjunction with the Program Operator, will hold a minimum of two public workshops to introduce the Program, and a minimum of one workshop for real estate professionals. Additional public information workshops/presentations may be held as needed. The Program will be posted on the Town’s web site.

No person shall, on the grounds of age, ancestry, color, creed, physical or mental disability or handicap, marital or familial status, medical condition, national origin, race, religion, gender or sexual orientation be excluded, denied benefits or subjected to discrimination under the Program. The Town will ensure that all persons, including those qualified individuals with handicaps, have access to the Program.

- A. The Fair Housing Lender logo will be placed on all outreach materials. Flyers or other outreach materials, in English and any other language that is the primary language of a significant portion of the area residents, will be widely distributed in the Program-eligible area and will be provided to any local social service agencies.
- B. The Program Operator will work closely with local real estate agents and primary lenders to explain the Program requirements for eligible housing units and homebuyers, and to review Program processes. Local real estate agents and primary lenders will also be encouraged to have their customers participate in the Program.

- C. The Program Operator will distribute program information flyers and outreach materials throughout the Town, to individuals, service agencies and local real estate and lending agents.

## **1.2. APPLICATION PROCESS AND SELECTION**

- A. The Town will announce the opening of the application period for the Program. Initially the Town application period shall be for a minimum of 30 calendar days. At the end of a minimum 30-day application period, on an announced date, time and place, the Town will conduct a random selection process for determining the order of submitted application acceptance for each of the three Program income categories. Eligibility to participate in the initial random selection process is based on the timely submission of a complete Program application package, which includes sufficient information concerning income, self-certification of income, employment, residency, pre-qualification for a first mortgage and credit history. After the closing of the initial random selection process, all applications will be processed until funding is exhausted. Each applicant's position in the random selection process is specific to the applicant, is not transferable and may not be sold or exchanged in any way. Applications are only deemed complete if all information is complete, the application is signed and dated, and a primary lender's pre-qualification letter is attached to the application. Incomplete applications are returned to the applicant, and will not be included in the initial random selection process or placed on the waiting list.
- B. Once the applicant's name comes to the top of the random selection process list, his/her Program eligibility is confirmed, and he/she is given a "Preliminary Eligibility Letter" for the Program.
- C. The applicant is then given 120 days to find a qualified housing unit that meets the Program thresholds and requirements, secure the primary and secondary loans and close escrow for the housing unit. If at the end of the 120-day period, escrow is not complete and closed, the applicant's preliminary eligibility will expire and the applicant will need to re-apply for the Program, and will be put on the waiting list. Staff may extend the 120-day period for up to 30 days if additional time is needed to close escrow.

## **1.3. THE HOME PURCHASE PROCESS**

- A. The housing unit selection process will be conducted by the applicant. Prior to making an offer to purchase an eligible housing unit (see Section 3.0), the applicant shall provide seller with a disclosure containing the following provisions:
  - 1) Applicant's offer is an estimate of the fair market value of the housing unit, to be finally determined by a state licensed appraiser; and
  - 2) The housing unit will be subject to inspection.
- B. Applicant submits executed standard form Purchase and Sales Agreement to Program Operator. The Purchase and Sales Agreement will be contingent upon the household and housing unit meeting Program eligibility requirements and receiving Program loan approval. Program Operator verifies applicant eligibility, housing unit and loan eligibility and amount of assistance to be provided consistent with these guidelines.
- C. Program Operator submits recommendation to the Town for approval or denial,

including the reasons for recommendation or denial. Program Operator provides written notification to applicant of approval or denial with reason, and if denied, a copy of the Program's appeal procedures.

- D. When the Primary Lender requirements are met, Program funds are deposited into escrow, with required closing instructions and loan documents.
- E. At the time of escrow closing, the Town of Truckee shall be named as an additional loss payee on fire and extended coverage insurance for the length of the loan and in an amount sufficient to cover all encumbrances or full replacement cost of the housing unit. In addition, if the housing unit is located within a 100-year flood plain, flood insurance will be required and must be maintained throughout the life of the loan.

#### **1.4. HOMEBUYER COSTS**

- A. Eligible applicants must document that they have the funds necessary for down payment and closing costs as required by the Primary Lender and the Town Program.
- B. Applicant (homebuyer) funds shall be used in the following order:
  - 1) Down Payment/Closing Costs - Minimum Requirement:
    - Low Income Household Category (up to 80% AMI): \$2,000
    - Moderate Income Household Category (Above 80% to 120% AMI): \$4,000
    - Above-Moderate Household Category (Above 120% to 160% AMI): 5% of the purchase price of the housing unit.
  - 2) To the extent possible after satisfying Section B.1), above, the order shall then be the appraisal fee; cost of credit report; the loan origination fee; discount points; customary homebuyer closing costs; homebuyer's customary portion of the escrow fees; title insurance; and, the establishment of impound accounts for property taxes and insurance.
- C. Cash out of escrow to borrower(s) is limited to the amount deposited into escrow by the borrower(s) above the minimum required down payment indicated in Section B.1).

#### **1.5 CONFLICT OF INTEREST REQUIREMENTS**

- A. No member of the governing body and no official, employee or agent of the Town, nor any other person who exercises policy or decision-making responsibilities (including employees, the administrative agent, contractors and similar agencies) in connection with the planning and implementation of the Program shall directly or indirectly be eligible for this Program. Town employees excluded from participation in the Program include the Town Manager, the Assistant Town Manager, the Community Development Director and the Redevelopment and Housing Coordinator. Other Town employees are eligible to participate in the Program.
- B. For purposes of the Program the Town will require that different and separate real estate brokers and agents represent the homebuyer and the home seller.

## 1.6. NON-DISCRIMINATION REQUIREMENTS

The Program will be implemented in ways consistent with the Town's commitment to non-discrimination. 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 Town or Redevelopment 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.

## 2.0 APPLICANT QUALIFICATIONS

### 2.1. CURRENT INCOME LIMITS FOR THE AREA, BY HOUSEHOLD SIZE AND HOUSEHOLD INCOME LEVEL

All applicants must certify that they meet the household income eligibility requirements for the Program and have household incomes documented. The Nevada County Area Median Income (AMI) limits in place at the time of loan approval will apply when determining applicant income eligibility. All applicants must have incomes for the Low (up to 80% AMI), Moderate (above 80% to 120% AMI), or Above Moderate (above 120% to 160% AMI), adjusted for household size, as published by State of California, Department of Housing and Community Development (HCD) each year. The income maximums listed below for Low and Moderate households are published by HCD. The Above Moderate incomes are calculated at 160% of the median household income as published by HCD.

2009 Maximum Income Levels - County of Nevada								
Number of Persons in Household								
	1	2	3	4	5	6	7	8
Up to 80% AMI	\$38,700	\$44,250	\$49,750	\$55,300	\$59,700	\$64,150	\$68,550	\$73,000
Above 80% -120% AMI	\$58,050	\$66,300	\$74,600	\$82,900	\$89,500	\$96,150	\$102,800	\$106,450
Above 120% -160% AMI	\$77,360	\$88,480	\$99,520	\$110,560	\$119,440	\$128,240	\$137,120	\$145,920

**Household:** Means one or more persons who will occupy a housing unit.

**Annual Income:** Generally, the gross amount of income of all adult household members that is anticipated to be received during the coming 12-month period.

### 2.2. INCOME QUALIFICATION CRITERIA

Projected annual gross income of the applicant household will be used to determine whether they are above or below the published HCD income limits. Gross income means all income as defined in Part 5 (Section 8) method for income determination, as described in the "Technical Guide for Determining Income and Allowances for the HOME Program, January 2005". The Program Operator should compare this annual gross income to the income the Primary Lender used when qualifying the household. The Primary Lender is usually underwriting to FHA or conventional guidelines and may not calculate the household income or assets in the same way as required by the Program. Income will be verified by reviewing and documenting tax returns, copies of wage receipts, subsidy checks, bank statements and third party verification of employment forms sent to employers. All documentation shall be dated within six months prior to loan closing and kept in the applicant file and held in strict confidence.

A. HOUSEHOLD INCOME DEFINITION:

Household income is the annual gross income of all adult household members that is projected to be received during the coming 12-month period, and will be used to determine program eligibility. For those types of income counted, gross amounts (before any deductions have been taken) are used; and the types of income that are not considered would be income of minors or live-in aides. Certain other household members living apart from the household also require special consideration. The household's projected ability to pay must be used, rather than past earnings, when calculating income.

NOTE: Non-occupant co-signers will not be required to submit income and asset documentation. Co-signers income will not be included in the household income determination. Co-signers for the primary loan are acceptable as long as their names do not appear on the Grant Deed or Deed of Trust.

B. ASSETS:

There is no asset limitation for participation in the Program. Income from assets is, however, recognized as part of annual income. Either the actual income from an asset or a percentage of the asset will be recognized as part of annual income. An asset is a cash or non-cash item that can be converted to cash. The value of necessary items such as furniture and automobiles are not included. (Note: it is the income earned – e.g. interest on a saving's account – not the asset value, which is counted in annual income.)

An asset's cash value is the market value less reasonable expenses required to convert the asset to cash, including: penalties or fees for converting financial holdings and costs for selling real property. The cash value (rather than the market value) of an item is counted as an asset.

**2.3. DEFINITION OF ELIGIBLE HOMEBUYER**

An eligible homebuyer means a borrower(s) who has not owned a home during the three-year period before the purchase of a home with Program assistance, except that the following individual or individuals may not be excluded from consideration as a first-time homebuyer.

- A. 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;
- B. 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
- C. An individual or individuals who owns or owned, as a principal residence during the three-year period before the purchase of a home with Program assistance, a dwelling unit whose structure is:

- 1) Not permanently affixed to a permanent foundation in accordance with local or state regulations; or
- 2) 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.

## **2.4 LOCAL ELIGIBILITY REQUIREMENT**

Applicants for the Program (in all three income categories) must either work or live in Truckee. For purposes of the Program and meeting the Local Eligibility Requirement, living or working in Truckee includes:

- A. The applicant or co-applicant must currently live or work in Truckee.
- B. To qualify as working in Truckee the applicant or co-applicant must be living or working in Truckee on the date the applicant or co-applicant's application for the Program is submitted.
- C. The applicant or co-applicant must be gainfully employed for monetary compensation and earn the majority of the household income for an employer in Truckee.

The requirement of living or working in Truckee will be verified through the application process.

For purposes of meeting the living in Truckee or working in Truckee criteria for this Program, the primary residence of the applicant or the geographic location of the employer must be within the United States Postal Zip Code 96161. It should be noted that the 96161 zip code encompasses locations in the Truckee area that are outside the actual Town Limits. Living at a residence located in or working at a business located in the 96161 zip code meets the local eligibility requirement. The home purchased must be within the Truckee Town Limits.

## **3.0. HOUSING UNIT ELIGIBILITY**

### **3.1. LOCATION AND CHARACTERISTICS**

- A. Housing units to be purchased through the Program must be located geographically within the Town limits of the Town of Truckee.
- B. Housing unit types eligible for the Program are new or previously owned, and may include: single-family detached houses, half-plex, duplex, tri-plex or quad-plex houses, condominiums, manufactured homes (on permanent foundations on a residential lot being purchased in conjunction with the home), in a common interest development or on a single family lot.
- 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.

### 3.2. CONDITION OF UNITS

#### A. Inspection.

Once the participating homebuyer 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) An inspection of the property will be done to determine if the property meets housing quality standards at the time of initial occupancy. The Town or Town's designated agent will be responsible for this inspection.
- 2) A clear pest inspection report will be required for each housing unit. Applicant to provide a copy of the clear pest inspection report to the Town. Smoke detectors will be installed if there are none in place. The Program Operator will encourage each homebuyer to secure a homeowner's warranty policy as part of the purchase of a resale-housing unit.

B. After a home is purchased using this Program, such home shall not be eligible for any other assistance or programs administered by the Town of Truckee.

C. 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.

D. The Program Operator will: 1) confirm that the housing unit is within the eligible area, and 2) will review each proposed housing unit to ensure that it meets all eligibility criteria before funding.

### 3.3. PROPER NOTIFICATION AND DISCLOSURES

Upon selection of a housing unit, a qualified applicant (homebuyer) and the seller must be given the necessary disclosures for the Program. The applicant must have read and signed all Program disclosure forms. Any and all property disclosures must be reviewed and signed by the applicant and seller.

### 4.0. HOUSING UNIT PURCHASE PRICE LIMITS

Maximum Purchase Price of Housing Unit	
Low Income Category (up to 80% AMI)	\$265,000
Moderate Income Category (Above 80% to 120% AMI)	\$355,000
Above-Moderate Income Category (Above 120% to 160% AMI)	\$445,000

### 5.0. THE PRIMARY LOAN

Prior to obtaining a subordinate loan from the Town, an applicant must provide evidence of financing for the maximum amount the Primary Lender is willing to loan (the "primary loan").

## **5.1. QUALIFYING LOAN RATIOS**

Primary loans underwritten by FHA, USDA Rural Development, Fannie Mae, Freddie Mac, or CalHFA will be acceptable to establish creditworthiness, repayment ability, and dependability of income.

The Program targeted front-end loan ratio is 30%. The minimum front-end loan ratio for the Program is 28% and the maximum is 33% for all moderate and above-moderate category applicants participating in the Program. The minimum front-end loan ratio for the Program is 28% and the maximum is 35% for lower income category applicants participating in the Program. The Community Development Director has the authority to make minor adjustments to lower the front-end ratio of program guidelines, for above moderate category homebuyers, as necessary to administer the program effectively. The front-end loan ratio is the percentage of a borrower's gross monthly income (before deductions) that would cover the cost of PITI (loan principal and interest payment + property taxes + property insurance) as well as homeowner association dues (if applicable), and flood insurance (if applicable).

The back-end loan ratio shall not exceed 50% and is the percentage of a borrower's gross monthly income that would cover the cost of PITI, homeowner association dues, flood insurance and space rental (if applicable) plus any other monthly debt payments like car or personal loans and credit card debt.

## **5.2. INTEREST RATE**

The rate of interest shall be fixed (not an adjustable rate mortgage, ARM, negative amortization, subject to principal increases, balloon payments or deferred interest) at the current market rate.

## **5.3. LOAN TERM**

The primary loan shall be fully amortized and have a term "all due and payable" in no fewer than 30 years. There shall not be a balloon payment due before the maturity date of the Program loan.

## **5.4. IMPOUND ACCOUNT**

All households will be required to have impound accounts for the payment of taxes and homeowner's insurance to ensure they remain current.

## **6.0. THE PROGRAM LOAN**

The Program (subordinate) loan(s) shall be secured by a lien(s) on the property purchased by the applicant (homebuyer).

## **6.1. MAXIMUM AMOUNT OF PROGRAM ASSISTANCE**

Should other down payment funds, as may be available through other programs sponsored by the Town, be available to low income category homebuyers, the maximum combined assistance allowable from all sources is \$100,000. The maximum assistance for moderate-income category homebuyers is \$90,000. The maximum assistance for above-moderate income homebuyers is \$80,000. The table below illustrates maximum amounts of Program assistance for each of the three household income categories:

Household Income Category	Maximum Program Down Payment Loan
Low Income Category (up to 80% AMI)	\$62,000
Moderate Income Category (Above 80% to 120% AMI)	\$90,000
Above-Moderate Income Category (Above 120% to 160% AMI)	\$80,000

**6.2. LIEN POSITION**

For Low Income Category applicants (borrowers), the lien securing the repayment of the Program loan shall be in second place. However, if a borrower is eligible for other down payment assistance programs that may be available through the Town, the Program lien shall be in third position. The Program loans for the Moderate Income and Above Moderate Income Categories are derived from two Town sources and the liens securing these loans will be in second and third position. No additional liens on properties purchased through the Town Program are acceptable.

**6.3. AFFORDABILITY PARAMETERS FOR APPLICANTS**

The actual amount of an applicant’s (borrower’s) Program subsidy shall be computed according to the housing ratio parameters specified in Section 5.1. Each applicant shall receive only the subsidy (the “gap”) needed to allow him/her to become homeowners while keeping his/her housing costs affordable. The primary lender will use the loan “front end loan-to-value ratio” of housing-expense-to-income to determine the amount of the primary loan and, ultimately, the Program subsidy amount required, bridging the gap between the purchase price (less down payment) and the amount of the primary loan.

**6.4. RATES AND TERMS FOR PROGRAM LOANS**

Program loans made to Low Income Category applicants (borrowers) shall be made in the form of a deferred payment (interest and principal) loan. The term shall be thirty (30) years. The interest rate is two percent (2%) amortized over the term of the loan (30 years).

Program loans made to Moderate Income Category applicants (borrowers) shall be made in the form of a deferred payment (interest and principal) loan. The term shall be thirty (30) years. The interest rate is two percent (2%) amortized over the term of the loan (30 years).

Program loans made to Above-Moderate Category applicants (borrowers) shall be made in the form of a deferred payment (interest and principal) loan. The term shall be thirty (30) years. The interest rate is three percent (3%) amortized over the term of the loan (30 years).

**6.5. LOAN TO VALUE RATIO**

The (back end) loan-to-value ratio for a Program loan, when combined with all other indebtedness to be secured by the property, shall not exceed the following:

- Low Income Category applicants: 103% of the appraised value of the housing unit at time of purchase.
- Moderate Income Category applicants: 103% of the appraised value of the housing unit at time of purchase.
- Above-Moderate Income Category applicants: 98% of the appraised value of the

housing unit at time of purchase.

## 6.6 DEED RESTRICTIONS

The Program is funded by three main funding sources. One source of this funding is Town of Truckee Redevelopment Agency Housing funds. If the purchase of a housing unit through the Program utilizes these funds (i.e., for low- or moderate-income categories), the deed restriction requires that the housing unit be the homebuyer's primary residence for a minimum of 45 years.

A second funding source is non-housing Redevelopment Agency funds (Redevelopment Agency capital funds). If this funding source is used (i.e., for the above-moderate-income category), the Town has determined that the housing unit is required to be the homebuyer's primary residence for a minimum of 10 years. This 10-year deed restriction remains in effect unless the Program (subordinate) loan is paid off in full. If the loan(s) is(are) paid off in full, the deed restriction is immediately removed.

If the purchase of a housing unit through the Program utilizes the third funding source, Town Housing Funds, the deed restriction is always determined by Redevelopment Agency deed restriction criteria. The Program Operator will determine which source of funds is utilized on a case-by-case basis, based on applicant income category and availability of Program funds.

All deed restrictions terminate upon sale of the housing unit purchased through the Program. A summary of deed restriction time periods is illustrated in the following table:

Homebuyer Income Category	Deed Restriction
Low Income	45 years
Moderate Income	45 years
Above Moderate Income	10 years, or until 100% payoff of down payment assistance loan(s).

## 7.0. PROGRAM LOAN REPAYMENT

Program loans are due and payable upon maturity date.

### 7.1. PAYMENTS ARE VOLUNTARY

Homeowner (Borrower) may pay the Program loan(s), in part or in whole, at any time without penalty. Periodic payments will be accepted in minimum payment amounts of no less than \$1,000 per payment. Periodic payments will first be applied to interest due on the Program loan.

### 7.2. RECEIVING LOAN PAYMENTS

A. Program loan payments will be made to:

Town of Truckee  
Administrative Services  
10183 Truckee Airport Road  
Truckee, CA 96161

- B. The Town will be the receiver of loan payments and will maintain a financial record-keeping system to record payments and file statements on payment status. The Program lender will accept loan payments from borrowers prepaying deferred loans, from borrowers making amortized loan payments and from borrowers making payments in full upon sale or transfer of the property. All loan payments are payable to the Town. The Town may at its discretion, enter into an agreement with a third party to collect and distribute payments and/or complete all loan servicing aspects of the Program.

### **7.3. LOANS DUE UPON SALE OR TRANSFER**

- A. Loans are due upon sale or transfer of title or when borrower (homeowner) no longer occupies the home as his/her principal residence or upon the loan maturity date. The loan will be in default if the borrower fails to maintain required fire or flood insurance or fails to pay property taxes. See Attachment A on loan defaults for further information on property restrictions.
- B. Loans are not assumable.
- C. The following transfers of interest shall not require immediate repayment of the Program loan:
  - 1) A transfer where the spouse becomes an owner of the property;
  - 2) A transfer resulting from a decree of dissolution of marriage, legal separation agreement, or from an incidental property settlement agreement by which the spouse becomes an owner of the property; or
  - 3) A transfer into an “inter vivos” trust, which the borrower is and remains the beneficiary and occupant of the property.

### **7.4. LOAN SERVICING POLICIES AND PROCEDURES**

See Attachment A for local loan servicing policies and procedures. While the attached policy outlines a system that can accommodate a crisis that restricts borrower (homeowner) 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.

### **7.5. LOAN MONITORING PROCEDURES**

The Town will monitor borrowers (homeowners) and their housing units to ensure adherence to Program requirements including, but not limited to, the following:

- A. Owner occupancy;
- B. Property tax payment;
- C. Hazard insurance coverage; and
- D. Good standing on primary loans.

## **8.0. PROGRAM LOAN PROCESSING AND APPROVAL**

### **A. Loan Processing**

All applicants (homebuyers) or their representatives will be sent out an eligibility packet with all the necessary forms, disclosures, information, and application. They should submit a complete application packet with all the Program loan documents executed as well as all the information from the Primary Lender. The Primary Lender should submit:

- 1) Accepted property sales contract with proper seller notification;
- 2) Mortgage pre-qualification, good faith estimates, truth in lending statement and copy of first lender promissory note; and
- 3) Full mortgage credit report.

Staff will work with local lenders to ensure qualified applicants receive only the benefit from the Program needed to purchase the housing unit and that leveraged funds will be used when possible. For example, in many cases the primary lender will not require mortgage insurance with the Town's second loan in place, which will reduce the applicant's (homeowner's) monthly payment.

### **B. Credit Worthiness**

Qualifying loan-to-value ratios are only a rough guideline in determining a potential borrower's credit worthiness. Many factors such as excellent or poor credit history, amount of down payment, and size of the loan will influence the decision to approve or disapprove a particular loan. The applicant's credit history will be reviewed by the Town and documentation of such maintained in the loan file. The Town may elect to obtain a credit report or rely on a current copy obtained by the primary lender.

### **C. Documents from Primary Lender**

After initial review of the qualified applicant's application packet, the Program Operator will request any additional documents needed. Documents may be faxed for process timeliness, but originals shall be received by the Program Operator through the mail before Program funds are committed to escrow. Based on receipt and review of the final documents, the Program Operator will do an income certification and homebuyer certification (review of credit report and income taxes). Documentation of affordability will then be verified and subsidy requirement determined.

### **D. Disclosure of Program and Loan Information to Applicants**

The Program's application and disclosure forms will contain a summary of the loan qualifications of the applicant with and without Program assistance. Loan-to-value ratios with and without Program assistance are also outlined in these guidelines. Information on the Program's application will be documented with third party verifications in the file. For example, the sales contract will provide the final purchase price and outline how much of the closing costs are to be paid by the seller, etc. The appraisal, termite and title report will provide information to substantiate the information in the sales contract and guide the construction inspection. The Program loan application will provide current debt and housing information and will be documented by the credit report and income/asset verifications. The primary lender's approval letter and estimated closing cost

statement should reflect all the information in the loan package and show any contingencies of loan funding. Reviewing the primary lender's loan underwriting documentation will provide basic information about the qualification of the applicant and substantiate the affordability provided by the Program loan. By reviewing and cross-checking all the primary lender information, the final Program loan amount approved will fall within the affordability parameters of the Program.

### **8.1. COMPLETION OF UNDERWRITING AND APPROVAL OF PROGRAM LOAN**

Once the loan approval package has been completed the Program Operator will submit it to the Town for approval. Town will review the request and may approve it with or without conditions. Upon approval, a final closing date for escrow is set and Program funds are accessed for the applicant (homebuyer).

### **8.2. PRIMARY AND PROGRAM LOAN DOCUMENT SIGNING**

The applicant (homebuyer) signs both (or three) promissory notes, deeds of trust, and statutory lending notices (right of rescission, truth in lending, etc.); the deeds of trust are recorded with the County Clerk/Recorder at the same time, and the request(s) for a copy of notice of default are also recorded with the County Clerk/Recorder.

### **8.3. ESCROW PROCEDURES**

The escrow/title company shall review the escrow instruction provided by the Program lender (Town) and shall issue a California Land Title Association (CLTA) policy and an American Land Title Association (ALTA) policy after closing. The CLTA policy is issued to the homebuyer and protects him/her against failure of title based on public records and against such unrecorded risks as forgery of a deed. The ALTA policy is issued to each lender providing additional coverage for the physical aspects of the property as well as the homebuyer's title failure. These aspects include anything, which can be determined only by physical inspection, such as correct survey lines, encroachments, mechanics liens, mining claims and water rights. The Program lender instructs the escrow/title company in the escrow instructions as to what may show on the policy, the amount of insurance on the policy (all liens should be covered) and the loss payee (each lender should be listed as a loss payee and receive an original ALTA policy).

### **9.0. SUBORDINATE FINANCING**

The Town's Program requires the primary lender's loan to be in first lien position. The Program liens will be in second and third positions. No additional or subordinate liens are acceptable.

### **10.0. EXCEPTIONS AND SPECIAL CIRCUMSTANCES**

#### **10.1. DEFINITION OF EXCEPTION**

Any case to which a standard policy or procedure, as stated in the guidelines, does not apply or an applicant treated differently from others of the same class would be an exception.

## **10.2. PROCEDURE FOR EXCEPTIONAL CIRCUMSTANCES**

- A. The Town or its agent may initiate consideration of an exception and prepare a report. This report shall contain a narrative, including the Town's recommended course of action and any written or verbal information supplied by the applicant.
- B. The Town shall make a determination of the exception based on the recommendation of the Program Operator. The request can be presented to the Community Development Director for a decision.

## **11.0. DISPUTE RESOLUTION AND APPEALS PROCEDURE**

Any applicant denied assistance from the Program has the right to appeal. The appeal must be made in writing to the Community Development Director, who will make a determination in writing within 30 days of receipt of the appeal. Should the applicant be denied this appeal, an appeal may be made to the Town Manager, who will make a determination within 30 days of receipt of the second appeal. The decision of the Town Manager will be final.

## ATTACHMENT A

### **LOAN SERVICING POLICIES AND PROCEDURES TOWN OF TRUCKEE**

The Town of Truckee, hereafter called "Lender", has adopted these policies and procedures in order to preserve its financial interest in properties, in which "Borrowers" have been assisted with public funds. The Lender will to the greatest extent possible follow these policies and procedures but each loan will be evaluated and handled on a case-by-case basis. The Lender has formulated this document to comply with State regulations regarding the use of these public funds and any property restrictions, which are associated with them.

The policies and procedures are broken down into the follow areas: 1) making required monthly payments or voluntary payments on a loan's principal and interest; 2) required payment of property taxes and insurance; 3) required Request for Notice of Default on all subordinate mortgages; 4) loans with annual occupancy restrictions and certifications 5) required noticing and limitations on any changes in title or use of property; 6) required noticing and process for requesting a subordination during a refinance; 7) processing of foreclosure in case of default on the loan.

#### 1. Loan Repayments:

For Notes, which are deferred payment loans or amortized loans, the Lender may accept voluntary payments on the loan at a minimum amount of \$1,000 per payment. Loan payments will be credited to the interest first and then to principal. The borrower may repay the loan balance at any time with no penalty.

The Lender will be the receiver of loan payments. The Lender will maintain an accounting of each individual loan made. The accounting will include due date, terms and accounting of any payments made.

Upon receipt of demand the Lender will calculate all payments and interest due and provide demand amount to title company. Upon payment of all sums Lender shall request the title company to reconvey the subject property and shall surrender the Deed of Trust and all notes evidencing indebtedness secured by the Deed of Trust. Property shall be reconveyed without warrant and without charge to the person or persons legally entitled thereto. Such person or persons shall pay all costs of recordation, if any.

#### 2. Payment of Property Taxes and Insurance:

As part of keeping the loan from going into default, borrower must maintain property insurance coverage naming the Lender as loss payee in first position or additional insured if the loan is a junior lien. If borrower fails to maintain the necessary insurance, the Lender may take out forced place insurance to cover the property while the Borrower puts a new insurance policy in place. All costs for installing the necessary insurance will be added to the loan balance at time of installation of Borrower's new insurance.

When a property is located in a 100-year flood plain, the Borrower will be required to carry the necessary flood insurance. A certificate of insurance for flood and for standard property insurance will be required at close of escrow. The lender may verify the insurance on an annual basis.

Property taxes must be kept current during the term of the loan. If the Borrower fails to maintain payment of property taxes then the lender may pay the taxes current and add the balance of the tax payment plus any penalties to the balance of the loan. Wherever possible, the Lender encourages Borrower to have impound accounts set up with their first mortgagee wherein he/she pays property

taxes and insurance as part of the monthly mortgage payment.

3. Required Request for Notice of Default:

When the Borrower's loan is in a subordinate position behind an existing first mortgage, it is the Lender's policy to prepare and record a "Request for Notice of Default" for each senior lien in front of the Lender's loan. This document requires any senior lien holder listed in the notice to notify the lender of initiation of a foreclosure action. The Lender will then have time to contact the Borrower and assist them in bringing the first loan current. The Lender can also monitor the foreclosure process and go through the necessary analysis to determine if the loan can be made whole or preserved. When the Lender is in a third position and receives notification of foreclosure from only one senior lien holder, it is in its best interest to contact any other senior lien holders regarding the status of their loans.

4. Annual Occupancy Restrictions and Certifications:

The Lender may require that Borrowers submit utility bills and/or other documentation annually to prove occupancy during the term of the loan.

5. Required Noticing and Restrictions on Any Changes of Title or Occupancy:

In all cases where there is a change in title or occupancy or use, the Borrower must notify the Lender in writing of any change. Lender and borrower will work together to ensure the property is kept in compliance with the original Program terms and conditions. These types of changes are typical when Borrowers do estate planning (adding a relative to title) or if a Borrower dies and property is transferred to heirs or when the property is sold or transferred as part of a business transaction.

Change from owner-occupant to owner-occupant occurs at a sale. The loan is not assumable and the loan balance is immediately due and payable upon sale.

Change from owner-occupant to owner-investor occurs when an owner-occupant decides to move out and rent the assisted property, or if the property is sold to an investor. For above-moderate income category Program participants, if the owner wishes to convert any assisted unit from owner occupied to rental, the loan is due and payable in full prior to this change in occupancy.

Conversion to use other than residential use is not allowable where the full use of the property is changed from residential to commercial or other. If the Program participant wishes to convert any assisted unit to a fully non-residential use, the loan balance is due and payable in full prior to this change in use.

6. Requests for Subordinations:

When a Borrower wishes to refinance the property, he/she must request a subordination request to the Lender. The Lender will only subordinate its loan when there is no "cash out" as part of the refinance. Cash out means there are no additional charges on the transaction above loan and escrow closing fees. There can be no third party debt pay-offs or additional encumbrance on the property above traditional refinance transaction costs. Furthermore, the refinance should lower the housing cost of the household with a lower interest rate and the total indebtedness on the property should not exceed the current market value.

Requests for subordination are to be made in writing to the Community Development Director. Upon receiving the proper documentation from the refinance lender, the request will be considered

by the Town for review and approval. Upon approval, the escrow company will provide the proper subordination document for execution and recordation by the Lender.

#### 7. Process for Loan Foreclosure:

Upon any condition of loan default: 1) non-payment; 2) lack of insurance or property tax payment; 3) change in title or use without approval; or 4) default on senior loans, the Lender will send out a letter to the Borrower notifying him/her of the default situation. If the default situation continues, then the Lender may start a formal process of foreclosure.

When a senior lien holder initiates a foreclosure process and the Lender is notified via a Request for Notice of Default, the Lender, who is the junior lien holder, may cancel the foreclosure proceedings by "reinstating" the senior lien holder. The reinstatement amount or payoff amount must be obtained by contacting the senior lien holder. This amount will include all delinquent payments, late charges and fees to date. Lender must confer with the Borrower to determine if, upon paying the senior lien holder current, the Borrower can provide future payments. If this is the case, then the Lender may cure the foreclosure and add the costs to the balance of the loan with a Notice of Additional Advance on the existing note.

If the Lender determines, based on information on the reinstatement amount and status of the Borrower, that bringing the loan current will not preserve the loan, then staff must determine if it is cost effective to protect their position by paying off the senior lien holder in total and restructure the debt such that the unit is made affordable to the Borrower. If the Lender does not have sufficient funds to pay the senior lien holder in full, then it may choose to cure the senior lien holder and foreclose on the property itself. As long as there is sufficient value in the property, the Lender can afford to pay for the foreclosure process and pay off the senior lien holder and retain some or all of its investment.

If the Lender decides to reinstate, the senior lien holder will accept the amount to reinstate the loan up until five (5) days prior to the set "foreclosure sale date." This "foreclosure sale date" usually occurs about four (4) to six (6) months from the date of recording of the "Notice of Default." If the Lender fails to reinstate the senior lien holder before five (5) days prior to the foreclosure sale date, the senior lien holder would then require a full pay off of the balance, plus costs, to cancel foreclosure. If the Lender determines the reinstatement and maintenance of the property not to be cost effective and allows the senior lien holder to complete foreclosure, the Lender's lien may be eliminated due to insufficient sales proceeds.

#### Lender as Senior Lien holder

When the Lender is in first position as a senior lien holder, active collection efforts will begin on any loan that is 31 or more days in arrears. Attempts will be made to assist the homeowner in bringing and keeping the loan current. These attempts will be conveyed in an increasingly urgent manner until loan payments have reached 90 days in arrears, at which time the Lender may consider foreclosure. Lender's staff will consider the following factors before initiating foreclosure:

- 1) Can the loan be cured and can the rates and terms be adjusted to allow for affordable payments such that foreclosure is not necessary?
- 2) Can the Borrower refinance with a private lender and pay off the Lender?
- 3) Can the Borrower sell the property and pay off the Lender?
- 4) Does the balance warrant foreclosure? (If the balance is under \$5,000, the expense to foreclose may not be worth pursuing.)

5) Will the sales price of home "as is" cover the principal balance owing, necessary advances, (maintain fire insurance, maintain or bring current delinquent property taxes, monthly yard maintenance, periodic inspections of property to prevent vandalism, etc.) foreclosure, and marketing costs?

If the balance is substantial and all of the above factors have been considered, the Lender may opt to initiate foreclosure. The Borrower must receive, by certified mail, a thirty-day notification of foreclosure initiation. This notification must include the exact amount of funds to be remitted to the Lender to prevent foreclosure (such as, funds to bring a delinquent BMIR current or pay off a DPL).

At the end of thirty days, the Lender should contact a reputable foreclosure service or local title company to prepare and record foreclosure documents and make all necessary notifications to the owner and junior lien holders. The service will advise the Lender of all required documentation to initiate foreclosure (typically a Note and Deed of Trust) and funds required from the owner to cancel foreclosure proceedings. The service will keep the Lender informed of the progress of the foreclosure proceedings.

When the process is completed, and the property has "reverted to the beneficiary" at the foreclosure sale, the Lender could sell the home under a homebuyer program or use it for an affordable rental property, managed by a local housing authority or other agency, or use it as a transitional housing facility or other eligible use. The Lender could contract with a local real estate broker to list and sell the home and use those funds for program income eligible uses.

ATTACHMENT B

**INSTRUCTIONS TO PROGRAM APPLICANT  
TOWN OF TRUCKEE**

- A. Applicant works with lender of choice to obtain the primary lender's pre-qualification letter.
- B. Participant completes Program application, application is selected in random selection process, eligibility is verified and receives preliminary eligibility letter.
- C. Participant works with real estate agent to select home. Program disclosures are reviewed with agent for presentation to seller.
- D. Participant selects home and enters into a purchase contract (contingent upon receiving Program loan approval). Lender provides the Program Operator with a copy of:
- real estate sales contract;
  - residential loan application;
  - credit report;
  - verified income documentation;
  - residency verification;
  - disclosure statement;
  - proof of personal funds for participation in program;
  - breakdown of closing costs;
  - structural pest control clearance;
  - appraisal with photos;
  - escrow instructions; and
  - preliminary title report.
- E. Program Operator reviews paperwork to determine program eligibility and financing affordability for participant, etc.
- F. Program Operator meets with qualified applicant to provide information relative to the program requirements, the lending process, and home ownership responsibilities.
- G. Program Operator requests loan approval from Town. Following loan approval, Program Operator prepares Deed of Trust, Promissory Note, Notice of Default, requests checks and deposits same into escrow.
- H. Escrow company furnishes Program Operator with proof of documents to be recorded, and any escrow close-out information. After receipt of recorded loan documents, HUD I, Insurance Loss Payee Certification and Final Title Insurance Policy, (Program Operator) closes out the loan file.