LIVERMORE
CALIFORNIA

EQUAL HOUSING OPPORTUNITY

Housing and Human Services Division

Affordable Homeownership

Program Guidelines

The City's Affordable Homeownership Program (also referred to as the Inclusionary Housing Program) provides homeownership opportunities to income eligible, first-time home buyers purchasing Below Market Rate homes (BMR's) in Livermore. The information provided in this document describes Guidelines for households applying for Below Market Rate homes and the applicant selection process. For the purposes of these Guidelines, "Applicant and "Buyer" are used interchangeably. These guidelines shall be updated from time to time and are subject to final interpretation by the City of Livermore Community Development Department, Housing and Human Services Division.

ELIGIBILITY QUALIFICATIONS

First Time Home Buyer

Applicant(s) must be first time home buyers.

A first time home buyer is defined as an individual or household that has not previously owned a home nor had an ownership interest in any improved real property within the last three (3) years.

Citizenship

Applicant must be a U.S. citizen or lawfully permitted for permanent residence.

Income Limits

Applicant(s) must meet the income eligibility limits set by the program in order to qualify for the program. Annual Income Limits adjusted by household size are based on the U.S. Department of Housing and Urban Development (HUD) Area Median Income for the Oakland-Fremont HMFA. Current Income Limits are available on the City's Website, as part of the Application or by contacting the City's Housing & Human Services Division.

Income Determination

Gross Household Income shall mean all income, from whatever source derived, of all adult household members (18 years of age and older) but does not include income from dependents up to age 24 that are full time students whether or not such income is exempt from Federal Income Tax.

Household Income will be based on current income projected out 12 months from the time of application.

Funds in excess of $5,000 (excluding the amount to be contributed as the Buyer's Down Payment, retirement investment accounts such as 401K and 457K accounts) will be included when determining household income. In such case, an asset test will be used. This income, if any, will be included as part of the household's total income.

Applicants must provide sufficient documentation of income, as outlined in the City's Affordable Homeownership Application, to the City for use in determining the applicant's income level. Final determination of an applicant's income level and program eligibility shall be the sole discretion of the Housing and Human Services Manager.

Income shall include the following:

a. Gross amount of wages and salaries before any payroll deductions, including over-time pay, compensation for services, commissions, fees, tips and bonuses;
b. The net income of 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);
c. Interest, dividends and royalties;
d. Partnership distributions;
e. Income from an interest in an estate or trust;
f. The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pension, disability, or death benefits and other similar types of periodic receipts;
g. Payments in lieu of earnings, such as unemployment and disability compensation (not including temporary disability), workers compensation and severance pay;
h. Public Assistance including but not limited to TANF, SSI, disability income;
i. Periodic and determinable allowances such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling;
j. All regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is head of the household or spouse.
k. Asset income based on the cash value of assets as determined through the asset income test methodology.

Asset Limits

Applicants may have no more than fifty thousand dollars ($50,000) of total liquid assets, excluding pensions and federally approved pre-tax savings accounts.

Credit

Applicants must have a minimum FICO of 660, have no delinquent or collection accounts, and may not have filed bankruptcy within the last three (3) years. A lower FICO score will be considered based on a review of the Applicant's credit history *and* additional down payment contributed by the Applicant(s), subject to the approval of the Housing and Human Services Manager.

Down Payment

Applicant(s) must provide funds in an amount equal to at least three percent (3%) of the

purchase price for use as a down payment (not closing costs). The funds must be deposited with the Applicant's financial institution account for a minimum of three months from date of application. Funds must be deposited into escrow with verification provided to the City prior to execution of loan documents.

No exceptions will be made to this requirement.

Gifted Funds

Applicant(s) may be gifted funds in an amount not to exceed 15% of the purchase price plus closing costs as evidenced by a "gift letter" which must be submitted with the Affordable Homeownership Program Application.

Education/Certification

Applicants must successfully complete a City-approved first time home buyer education course providing a HUD-approved curriculum. Applicant must provide a Certificate of Completion prior to final approval.

OTHER REQUIREMENTS

Inspection Requirements – Below Market Resale Units

Termite and roof clearances must be obtained prior to the close of escrow.

It is the below market unit owner's responsibility to provide a new buyer with a termite and roof clearance.

Homes must meet a code and habitability standards review and be deemed acceptable to the Program. A home inspection report from a licensed home inspector must be commissioned by the Buyer and be submitted to the City for review prior to execution of the City's Loan documents. If code, building permit, or habitability deficiencies are found by the City, the City may reserve the right to condition loan approval upon remediation and clearance of those deficiencies.

Options – New Construction Units

Options are limited to no more than 5% of the Below Market Sales Price (Total Affordable Sales price will not exceed the Below Market Sales Price plus Options). If options are purchased for new construction units, the cost must be added at the Buyer's expense and cannot be rolled into the first mortgage loan.

For property assessment purposes, the price of the Affordable Units plus Options shall be the amount reported to the Alameda County Assessor's Office.

Monitoring of Below Market Unit Status

Borrowers must submit an annual certification and provide documentation to verify the unit remains as the Borrower's primary residence. The City reserves the right to monitor the owner occupancy status of Below Market Units on an annual basis.

CITY LOAN & RESALE DOCUMENTS

Security

As part of the Affordable Homeownership program Buyer(s) shall execute a promissory note secured by a deed of trust in favor of the City for an amount equal to the difference between the Fair Market 'Appraised Value' and the Affordable Sales Price. The loan shall have no payments due as long as the Buyer/Owner is in compliance with the Resale Restriction Agreement. In the case of default or ineligible transfer of the property, the Note shall become due and the City shall recapture a portion of the Excess Sales Proceeds as described in the Resale Restriction Agreement. If the Below Market Unit is re-sold through the City's Affordable Homeownership Program, obligations under the Note are assumable by a new eligible buyer.

Resale Restriction Agreement

Buyer(s) shall execute a Resale Restriction Agreement which restricts how the buyer can sell the home and sets rules for owner occupancy. Resale restrictions will be in effect for 55 years.

Owner Occupancy

Buyer(s) shall use the home purchased under this program as their primary residence and must live in the unit at least 10 months out of the year and shall certify this owner occupancy status annually for the City. In addition, the Buyer shall not rent or lease their home or any part thereof in accordance with the conditions of the City's Resale Restriction Agreement.

Taxes and Insurance Monitoring

The City will require an ALTA Title Insurance policy in the amount of the City loan. The City will require a copy of Evidence of Insurance for hazard and or flood insurance policies in an amount at least equal to the replacement value of the improvements and showing the City of Livermore, its successors and assigns as an additional loss payee.

The Buyer will be required to pay a one-time tax service fee to the City at the close of escrow.

Limits on Refinancing and Subordination Conditions

Below Market Unit Owners may not refinance to take out equity or appreciation. Refinancing is limited to reduction of interest rates or payments on the property. Borrowers/BMR Owners may only refinance up to the amount of the existing first mortgage balance at the time of refinance plus 2% for non-recurring closing costs.

FIRST MORTGAGE QUALIFICATIONS

The first mortgage obtained for the purchase of the residence must be of a fixed interest rate over the life of the loan with no negative amortization, balloon payments, or adjustable rate features.

Combined Loan-to-Value (CLTV) Limits

Combined loan-to-value limits are 97% of the Affordable Sales Price and may be adjusted dependent upon secondary financing for closing costs. Appraised value must be confirmed prior to the City's submittal of documents to escrow through an appraisal report prepared by a licensed real estate appraiser. The appraisal must have been completed within six months prior to the close of escrow. CLTV limit adjustments are subject to the Housing and Human Services Manager's approval.

Debt-to-Income Ratio (DTI)

Applicant's total "back-end" monthly debt to income ratio may not exceed 40% of the Applicant's total gross monthly income. Back-end debt includes monthly housing payments (principal, interest, taxes & insurance) and any other secured and unsecured debt payments (e.g. car loans and credit cards). At the sole discretion of the City's Housing and Human Services Manager, this ratio may be adjusted to a DTI limit of no greater than 43% if the Applicant's down payment exceeds the three percent (3%) minimum requirement and Applicant's FICO score is greater than 720.

Co-signers

Applicant(s) may use a cosigner when qualifying for the first mortgage. However, the cosigners' total household income shall be included as part of the Applicant's total income when determining the Applicant's income eligibility level.

Impound Account

Buyer shall participate in a lender-sponsored Impound Account to cover property taxes on the Affordable Unit. The amount of funds required for the Impound Account will be based on the affordable sales price of the Unit at the time of purchase.

APPLICATION & SELECTION PROCESS

a) Complete applications will be sorted by the number of preference points awarded and placed into one of the priority positions as outlined below.

b) Applicants will then be randomly sorted (drawn) through a 'Lottery' style section process within each priority group. Each applicant will be given a number (rank). The Lottery process is open to the public.

c) The City Clerk will certify this process and the rank numbers assigned to each applicant.

d) Applicants will be notified in writing of the results of the selection process within one week of the selection process.

In certain circumstances the City may opt to hold an open application process where applications will be accepted and ranked on a first come – first served basis within each priority group. Applicants will be notified in writing of their ranking number within one week of the open application period.

Applicant(s) must submit a complete application to the City's Housing and Human Services Division during the application period. Incomplete applications are subject to disqualification.

Priority Groups

Applicants will be grouped according to the number of preference points earned from the Preference Categories. The Priority Groups will be established and processed based on the number of preference points (highest to lowest number of points) earned through any combination of Preference Categories.

Preference Categories

A) Teacher (2 preference points)

   i) To qualify under this category at least one member of the household must be a credentialed teacher who is employed as a teacher on Full-Time status by the Livermore Valley Joint Unified School District for at least six months.

   ii) Employees excluded from this category are:

      (1) Temporary employees.

      (2) Employees who have received a performance evaluation of 'Unsatisfactory' at their most recent performance review.

B) Emergency Responder (2 preference points)

   i) To qualify under this category a household must have at least one member who is a full time regular employee of the City of Livermore with one of the following job titles:

      (1) Police Officer, Sergeant, Lieutenant, or Community Services Specialist.

      (2) Firefighter or Firefighter-Paramedic with the Livermore-Pleasanton Fire Department.

   ii) Employees excluded from this category are:

      (1) Temporary/Contract employees.

      (2) Employees who have received a performance evaluation of 'Unsatisfactory' at their most recent performance review.

C) Resident (2 preference points)

   i) To qualify under this category a household must have a primary residence (residential dwelling unit) within the incorporated city limits and have resided at the residence for a minimum of six months prior to the date of application submittal.

D) Work in the City of Livermore (2 preference points)

i) To qualify under this category a member of the household must work as a full-time permanent employee at a business within the corporate city limits for an employer who has a City of Livermore business license.

ii) Employees who are employed as contract or temporary employees are not eligible to receive preference points under this category.

iii) Households whose income is based on retirement or disability income must provide documentation showing that this income is based on previous employment within the corporate city limits to receive preference points under this category.

E) Tenant of a Rent Restricted Unit in the City of Livermore (1 preference point)

i) To qualify under this category members of the household must reside in a recognized subsidized rental-housing unit. These units are defined by having deed or regulatory restrictions recorded against the property restricting rents on all or a portion of their units to low income tenants.

(1) Tenants must be a current tenant and be in Good Standing with the property management company of the complex.

(2) Eligible tenants include only those occupying a rent restricted, below market rate unit and who are not in the process of a just cause eviction.

(3) Tenants who occupy a market-rate unit in a rent-restricted complex do not qualify under this category.

ii) Tenants enrolled in the Section 8 Housing Choice Voucher Homeownership Program of the Housing Authority of the City of Livermore are eligible to receive this preference point.

iii) The City of Livermore Housing and Human Services Division maintains a list of rent restricted apartment complexes.

F) U.S. Military Veteran (1 preference point)

i) To qualify under this category, a household must have at least one member who is a Veteran of the U.S. military. The eligibility definition of veteran status shall be according to the military service requirements for the VA home loan guarantee program.

G) Persons with Disabilities (1 preference point)

i) To qualify under this category, a household must have at least one member who has a verifiable disability as defined in the City's Housing Trust Fund Guidelines.

Household Size / Description

A household is defined as all persons who reside in a housing unit. Persons included in the household must be living together in one location for a minimum of six months prior to the initial date of the application. Applicants must demonstrate legal guardianship of all dependents.

Starting at the highest Priority Group, household size will be matched to available units according to the Minimum and Maximum Household Size standards. These standards have

been established to maximize occupancy of the affordable units, and avoid overcrowded and unsafe conditions.

Number of Bedrooms/Unit	"Minimum Household Size"	"Maximum Household Size"
1 bedroom	1 person	2 persons
2 bedroom	1 person	4 persons
3 bedroom	3 persons	7 persons
4 bedroom	4 persons	9 persons

Disabled Persons

If a wheelchair-accessible unit is offered as one of the affordable units, preference will be given to a household that has at least one member of the household with a documented permanent physical disability that impairs mobility. In some developments, mortgage assistance and/or preference will be given to households with at least one member with a permanent disability. The individual claiming disabled person status must submit verification from a licensed medical doctor of the disability and its effect on the individual's ability to maintain full time employment. Final determination of qualifying disability is the sole discretion of the Housing and Human Services Manager.

Eligibility Verification

At the time of receipt of eligible applications, an initial determination of income eligibility will be made based solely on the information supplied in the application. After the selection process, information on applications will be verified to the extent not already done before the selection process.

a) Fulfilling Program requirements is the sole responsibility of the applicant. Failure to fully satisfy the above program requirements as determined by the City may result in loss of opportunity to purchase a home under this program**.**

b) Applicant eligibility will be determined by the City of Livermore's Housing and Human Services Manager. All determinations are final.

Withdrawal of Application

If a selected applicant chooses to withdraw from purchasing a home for reasons other than financial, the applicant will not be eligible to participate in this program for a period of two (2) years from the date of withdrawal.