

**RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY
FIRST TIME HOME BUYER PROGRAM
LENDER'S MANUAL**



This Manual provides the policies and procedures for the implementation of Riverside County's First Time Home Buyer Assistance Program, as established by Riverside County Board of Supervisors. In addition to these guidelines, the First Time Home Buyer Assistance Program will be administered according to the rules and regulations of the Federal HOME Investments Partnership Program, as published in 24 CFR Part 92. In the event of a conflict between this Manual and the HOME rules, the HOME rules shall take precedence. The policies and procedures contained within this Manual are intended to implement the First Time Home Buyer Assistance Program established by the Board of Supervisors.

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**RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY
FIRST TIME HOME BUYER PROGRAM**

**POLICIES AND PROCEDURES
HANDBOOK**

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1) INTRODUCTION

a) Purpose

- i) The Riverside County Economic Development Agency (EDA) is offering a First Time Home Buyer Down Payment Assistance Program (FTHB). The primary objective of the First Time Home Buyer Program is to provide housing inventory on a continuing basis, which will be available for purchase by first time homebuyers of low and very low income. The Program will be available to anyone who has not owned a home in the last three years, or who qualifies as a displaced homemaker or single parent as defined herein, and has an annual income that is no greater than 80% of the area median income as published by the U.S. Department of Housing and Urban Development (HUD).
- ii) This Program will provide down payment assistance as a silent-second loan to lower income first time home buyers in the amount of twenty percent (20%) of the purchase price of the home and a maximum of \$2,000 in closing costs assistance. The maximum amount of assistance is the gap financing limit such that the housing payment to income ratio is between the range of twenty-five percent (25%) and thirty-five percent (35%). The total of amount of downpayment assistance and closing cost assistance can not exceed \$75,000. The first loan must be a fully amortized, fixed rate; thirty-year mortgage and the EDA Assistance will be secured by a deed of trust recorded in second position to the first mortgage.
- iii) All buyers participating in this Program shall agree to the terms and conditions of an Affordability Period. The Affordability Period provides that if the property is re-sold within fifteen (15) years, it will be offered or otherwise be made available for purchase by qualified low income families. If the property is no longer maintained as the principal residence of the buyer or is sold prior to the end of the Affordability Period, and the purchaser is not eligible for this Program, all County funds invested in the property must be repaid. Properties that remain affordable to program participants throughout the Affordability Period will have the Agency's investment converted to a grant. This program is available to homes being purchased within the unincorporated areas of Riverside County and the cooperating cities listed in Appendix B.

b) HOME Program

- i) HOME is a federally funded, large scale grant program for housing. Funds are allocated by formula to participating State and local governments. The HOME program is designed as a partnership among the Federal government, state and local governments and those in the for-profit and non-profit sectors who build, own, manage, finance and support low income housing initiatives.
- ii) Riverside County is a designated participating jurisdiction under the HOME Program. The County receives an annual formula allocation for use in the unincorporated county as well as cooperating cities listed in Appendix B. The FTHB Program is one of the activities that the County is funding with HOME funds. The County also issues periodic Notices of Funding Availability (NOFA's) to solicit applications under the HOME Program. Due to the use of HOME funds to operate the FTHB Program, a number of federal requirements apply to this program, as explained in this manual.

2) GENERAL ELIGIBILITY REQUIREMENTS

a) Eligible Properties

- i) Location. The FTHB Program is only available within the County of Riverside.
- ii) Price Limits. To be eligible for the FTHB Program, the maximum property value shall not exceed 95% of the FHA 203b loan limit for Riverside County. Both the appraised value of the home and the actual purchase price cannot exceed this limit.
- iii) Type of Home. The FTHB program may be used to purchase any new or resale single family home, condominium /town home or a new manufactured home that meets all of the following minimum criteria:

- (1) The home is permanently fixed to a permanent foundation; and
 - (2) A manufactured home in a mobile home park, if the park meets Riverside County permit standards, and the manufactured home has received an installation acceptance permit. The manufactured home has to be new (never occupied); and have a lease for a minimum term of the required affordability period.
 - (3) The home has a minimum of two bedrooms; and
 - (4) The home is currently occupied by the Seller or vacant. **Vacant which were previously occupied by tenants must have been vacant for at least 90 days prior to purchase offer or they are ineligible. Tenant occupied properties are always ineligible, unless the tenant is purchasing the unit in which they reside.**
 - (5) In addition, the following additional criteria apply to newly constructed homes:
 - (a) The value of a newly constructed home shall be established by an appraisal prepared by a qualified appraiser on Fannie Mae Form 1004. Whenever possible comparative properties should include homes located outside of the subject tract. Master Endorsements of Value will not be accepted.
 - (b) The home must be in sound condition and meet the Housing Quality Standard as determined by EDA. The purchaser must reside in the home as his or her **principal** residence within sixty (60) days of purchase and the home shall not be used as a business, rental nor as a vacation (second) home.
 - (6) In-ground Pools and Spas. Single-Family homes with in-ground pools or spas shall be ineligible for the FTHB Program.
- iv) Home Condition. A home shall not be eligible for purchase under this program unless it is in standard condition and suitable for occupancy upon purchase. Under no circumstances shall a home be modified or altered to qualify a home that is otherwise an ineligible property after submittal of a FTHB application to EDA. The following procedures will be used to determine if the home meets these requirements:
- (1) *Existing Homes*
 - (a) All purchasers of existing homes must obtain a home inspection report prepared according to industry standards. Any deficient items affecting habitability of the home noted in the home inspection and the purchase agreement shall be corrected prior to the close of escrow. If the home inspection report indicates that the home has serious deficiencies, the EDA may inspect the home to determine if it meets the Housing Quality Standard (HQS). The Housing Quality Standard (HQS) is a basic standard of livability based on health and safety standards. The HQS Checklist is attached in Appendix E. Any home, which does not meet HQS, will be disqualified from purchase under this program.
 - (b) Inspection Process. Home Inspections are to be performed by qualified Home Inspection Professionals in accordance with industry standards. Home Inspectors who are members of the California Real Estate Inspectors Association, the American Society of Home Inspectors or the International Conference of Building Officials will be presumed to be qualified. Typically, Home Inspections are 7 to 15 pages in length, and utilize a checklist with explanations of any items that need work or are not in standard condition. It is strongly advised that the home buyer accompany the Home Inspector during the inspection. The Home Inspector will provide guidance on maintenance requirements, and will explain any items that need work.

- (c) Repair Requirements. EDA will review the Home Inspection Report and will prepare a list of required repairs. A copy of the Home Inspection Report and list of required repairs is sent to the buyers. The buyer also needs to ensure that the home meets their requirements and that the repairs have been completed to their satisfaction. EDA will only review the Inspection Report for safety and habitability concerns, not cosmetic items.
- (d) Lender Certification. The Lender is required to certify that any EDA required repairs have been completed pursuant to the Home Inspection Report prior to close of escrow. The Lender is also responsible for ensuring that the repairs have been completed to the buyer's satisfaction. The Lender needs to satisfy itself that the repairs have been done before making this certification. In order to make this certification, the Lender will need to provide a letter from a licensed contractor or inspector to ascertain that the work has been done.

(2) *New Homes*

- (a) All newly constructed homes shall receive a Certificate of Occupancy. Certificate of Occupancy must be submitted prior to the request for funding. In addition, the Seller must agree to have all operating systems and fixtures (plumbing, electricity, etc.), as well as floor coverings and similar items, installed and fully operational prior to the close of escrow. Newly constructed homes shall be subject to an EDA inspection to confirm that they comply with building codes and standard building practices.
- v) The EDA will perform inspections on all resale homes to verify that homes purchased through the Program meet HQS and are in standard condition and suitable for occupancy.
- vi) Occupancy Standard. One of the purposes of the FTHB Program is to address persistent conditions of housing overcrowding in the County. Therefore, the County is requiring that all homes have a minimum of two bedrooms in order to be eligible for this Program. In addition, The Housing Quality under 982.401 (1) states that “The dwelling unit must have at least one bedroom or living / sleeping room for each two persons. Children of opposite sex, other than very young children, may not be required to occupy the same bedroom or living / sleeping room.

b) Characteristics of the Home Buyer

- i) Income Limits. In order to be eligible for this program, the purchasers’ annual income shall not exceed 80% of the area median income, as determined by HUD, adjusted for family size. In addition, family assets, excluding personal property, funds in restricted retirement accounts, and funds to be used for the home purchase, shall not exceed a 12 month reserve based on the maximum income for the family size. The income and assets of all persons age 18 and older who will reside in the home must be included in the calculation to determine income eligibility. The current income limits are shown in Appendix A. See item c below for instructions on calculating annual income.
- ii) Co-owners. Co-owners are only permitted if they will occupy the home as their principal residence and qualify as first time buyers. The income of all co-owners will be included in determining if the household qualifies as low income, as noted in 1 above, as well as appendices A and C. Co-signers are not permitted.
- iii) Minimum Buyer Investment. The buyer shall provide from their own funds a minimum investment of the amount required by the first mortgage. The buyers’ contribution may be used toward the down payment or closing costs, at their discretion and in accordance with the requirements of the first mortgage.
- iv) Prior Home Ownership Criteria. In order to qualify as a first time home buyer, the purchaser cannot have owned a home for the previous three years from the date of application to the FTHB Program. The purchaser must sign a sworn application attesting that they have not owned a home, in addition the last three years tax returns will be reviewed to ascertain that no mortgage interest or real estate tax deductions have been claimed. Exception: A person who qualifies as a displaced homemaker or a single parent and, while previously married, owned a home with his or her spouse, does not need to

meet the first time Home Buyer requirement. See Appendix D for definitions of displaced homemakers and single parents.

- v) For the purposes of determining home ownership, a dwelling unit that was not permanently affixed to a permanent foundation (i.e. a mobile home), or a dwelling unit that is substandard and cannot be brought into standard condition for less than the cost of constructing a permanent structure, shall be not included in the three year requirement.

c) Determination of Adjusted Gross Income

- i) The FTHB Program is limited to buyers with an annual income that is eighty percent (80%) or less of the area median income, as determined by HUD. Annual income is the gross amount of income anticipated to be received by all adults in a family during the twelve months following the effective date of the determination. Anticipated income is generally determined by annualizing current income for the next twelve months. The annual income for purposes of qualifying for the FTHB Program includes all income and may be higher or lower than the income amount utilized by the lender to underwrite the first mortgage.
- ii) Annual income includes anticipated income from assets. Please see Appendix A for an explanation of how to determine income from assets. The current passbook rate established by HUD is 3.50%.
- iii) For a detailed explanation of how to calculate various types of income, please see Appendix C.

d) Assets

- i) In addition to income, family assets (excluding personal property, funds in restricted retirement accounts, and funds to be used for the home purchase) shall not exceed a 12 month reserve based on the maximum income for the family size. See Appendix C for a detailed explanation of the items to be included and excluded from assets.

3) GENERAL LOAN REQUIREMENTS

The following minimum requirements shall apply to all purchases receiving assistance through the FTHB Program.

a) First Loan Requirements

- i) The purchaser shall apply for a first mortgage from a participating lender and provide a minimum investment of the amount required by the applicable federal state. The first mortgage must be a fully amortized, fixed rate, thirty-year term mortgage. The FTHB program also accepts the California Housing Finance Agency (CalHFA) Interest Only Plus 35-year loan and the CalHFA 40-year fixed rate loan. The purchaser must accept the highest first mortgage amount (principal amount at going interest rate) for which they can qualify. Lenders should provide buyers with the best possible interest rate available at the time their loan rate is locked. In general, the participating lender shall be responsible for determining the buyers' creditworthiness and qualifications for obtaining the first mortgage. However, the following minimum criteria must be satisfied:
 - (1) The buyer shall provide a minimum investment of the amount required by the first mortgage. This minimum investment may be applied to the down payment and/or closing costs, at the discretion of the borrower and in accordance with the requirements of the first mortgage. The lender shall verify that the buyer has sufficient funds to meet this requirement. In cases where a borrower has saved cash at home, the lender shall document these savings in accordance with standard underwriting practices.
 - (2) The first loan amount shall be the maximum amount for which the borrower can qualify, based on their income, debts, and current interest rates. The total monthly payment (principal, interest, taxes, insurance {PITI} PMI, and HOA, if applicable) shall not be less than 25% nor more than 35% of the borrowers gross monthly income for a 30-year loan, CalHFA 40-year fully amortized

fixed rate loan and the CalHFA Interest Only Plus 35-year loan. **Please note, when using the CalHFA Interest Only Plus 35-year loan, the housing payment ratio (front-end ratio) is calculated using the principal of the loan which is included in the 6th year of this loan product.**

- ii) The participating lender may only assess those usual and customary fees and charges that would be assessed for a buyer with the same type of first mortgage who is not participating in the FTHB Program. No additional lender fees may be charged for processing of a loan in conjunction with the FTHB Program.
- b) **Affordability Period**
- i) In exchange for receiving funds to assist in the purchase of a home, the purchaser must sign FTHB loan documents, including a Promissory Note, Disclosure Notice, and Subordinate Deed of Trust, which will provide that, upon sale, transfer, lease or any other disposition, including refinancing or incurring of additional debt secured by the home, within 15 years of purchase, the principal amount of the FTHB Assistance is repaid to the EDA. After the Affordability Period, the EDA Assistance is converted to a grant and these obligations are forgiven.
- c) **Home Buyer Education**
- i) In order to be eligible for participation in the FTHB Program, prospective purchasers must complete the minimum requirements of 8 hour education in a Community Home Buyer's Seminar, as approved by the EDA. Buyers should complete this requirement as soon as possible in the purchase process. Participating lenders may contact EDA for the names of agencies offering approved Community Home Buyer's Seminars.
- d) **Types of Down Payment Assistance**
- i) The FTHB financial assistance can be provided as downpayment assistance and/or payment of other costs associated with home purchase. Eligible costs may include permanent interest rate buy-downs. The FTHB Assistance cannot be used to pay the borrowers prepaid costs (also known as recurring costs). Buyer must make a minimum contribution necessary to comply with any applicable federal or state requirements. In addition, the buyer needs to satisfy the requirements of the first mortgage, which may require the borrower to pay a minimum down payment and certain other costs.
 - ii) Closing Costs Limitation. In general, EDA funds shall be used exclusively for down payment assistance. Closing cost assistance is available to all eligible homebuyers who qualify for FTHB. Program funds for closing cost assistance is described in Appendix J. The maximum amount of assistance for closing cost is \$2,000.
- e) **Minimum and Maximum Assistance**
- i) The minimum amount of assistance that may be provided is \$1,500 per home purchase. The maximum amount of assistance is the gap financing limit such that the housing payment to income ratio is between the range of twenty-five percent (25%) and thirty-five percent (35%) with an absolute maximum amount of \$75,000 for down-payment assistance (20% of the purchase price) and closing cost assistance.
- f) **Notifications**
- i) The following notifications are required for participation in this program:
 - (1) *Homeownership Notice to Sellers and Disclosure of Information on Lead-Based Paint and Lead-Based Paint Hazards (FTHB-3).* This notice shall be provided to the Sellers at the time a purchase offer is initiated or at the earliest possible date following acceptance of the purchase offer. The Seller and Buyer shall complete and sign this notice. Compliance with this requirement shall be demonstrated by submission of a fully executed Form FTHB-3 at the time the Lender submits a

request for reservation of funds. This Notice will be used to determine if the home is eligible for purchase under the FTHB Program. For properties constructed prior to 1978, this notice will also provide the Seller's disclosure and Buyer's acknowledgment of any possible Lead Based Paint Hazards.

- (2) *Lead-Based Paint Hazard Notice.* The purchasers of all homes constructed prior to 1978 shall be provided with a Lead-Based Paint Hazard Notice and the publication "Protect Your Family from Lead in Your Home" (available at www.epa.gov/lead/pubs/leadprot.htm). The Notice shall be provided to the purchasers' prior to close of escrow and shall be signed by the purchasers. A copy of this signed notice shall be provided to EDA with the closing package.
- (3) *Disclosure Statement.* This notice discloses to the purchasers the terms of the FTHB Assistance. This form is to be signed and notarized at the settlement appointment and submitted to EDA with the closing package.

g) **Confidentiality**

- i) FTHB Applications are subject to confidentiality requirements and will only be discussed with representatives of the buyer including their lender, real estate agent, escrow agent, and home inspector. FTHB applications will not be discussed with seller representatives or other outside interests. Items containing confidential information (i.e. tax returns, pay stubs, employment verification) should not be faxed.

h) **Resales**

- i) Sale, transfer and/or conveyance of the property during the Affordability Period shall trigger repayment of the FTHB Assistance, as detailed in the loan documents.

i) **Subordination**

- i) The FTHB Assistance shall be recorded in second position to the first mortgage on the property. The FTHB Assistance shall remain in second position and will not be subordinated to any additional debt. Notwithstanding the above, the FTHB assistance will subordinate to CalHFA financing or any other loans provided by the County of Riverside. In those instances, the FTHB shall be recorded in the third position. EDA will not agree to subordinate the FTHB Assistance to any other indebtedness with the following exceptions: (1) the first mortgage obtained concurrently with the FTHB Assistance to purchase the home; and (2) limited refinancing as detailed in the following section.

j) **Refinancing**

- i) Subordination for refinancing is only permitted with the prior authorization of the Agency and for purposes of reducing the carrying costs of the borrower. The Agency shall not authorize refinancing for any of the following purposes: (1) to remove equity from the property; (2) to consolidate debts; (3) to consolidate the first mortgage with any junior liens or obligations; and/or (4) to increase the principal indebtedness amount of the first mortgage (except for the amount of the reasonable and usual costs associated with the refinancing).

k) **Title Insurance**

- i) The lender will order the title insurance for the property, listing the County of Riverside as "co-insured".

l) **Property Maintenance Requirement**

- i) *Maintenance.* The borrower shall agree to maintain the home in standard condition for the term of the EDA assistance. To this end, the purchaser shall be required to obtain a one-year home warranty as part of the home purchase. The costs of the home warranty are eligible for financial assistance under the FTHB program. For newly constructed homes, the builder shall warranty the home for a minimum

of one year from date of purchase. In the absence of a written warranty from the builder, the buyer shall obtain a one year home warranty from an independent company.

- ii) *Hazard Insurance.* The purchaser shall obtain and maintain, for the term of the County's assistance, a hazard insurance policy for the property, listing the County of Riverside as "co-insured." The hazard insurance policy shall be of a sufficient amount to cover the County's interest in the home. Full insurance for the amount of the first and second loans, or a Guaranteed Replacement Cost policy, is acceptable.
 - iii) *Flood Insurance.* Properties located in a flood hazard zone shall obtain flood insurance listing the County of Riverside as "co-insured."
- m) **Loss Payee**
- i) The County shall be listed on the hazard insurance, flood insurance, and title insurance as the loss payee in the following manner:
 - (1) County of Riverside, its successors and assignees
 - (2) 1325 Spruce Street, Ste. 400, Riverside, CA 92507, Attn: FTHB Program
- n) **Auditing/Monitoring**
- i) All participating lenders shall maintain complete files for each Program participant for at least seven (7) years. The County will maintain records for each Program participant for the term of Affordability, plus three (3) years.
 - ii) The County may conduct random audits of lender files to ascertain compliance with the FTHB Program. This may include review of participant files, and review of lender information to document compliance with all lender requirements. In addition to participant files, participating lenders shall maintain records of affirmative marketing efforts, Community Reinvestment Act (CRA) compliance, bi-lingual (Spanish speaking) staffing, and efforts to provide assistance with minimal inconvenience to the borrower.
 - iii) The County may also conduct surveys of program participants to obtain their input on the program, the processing of their application, and their level of satisfaction with the results. The results of any such surveys will be shared with the Participating Lenders. Complaints about particular individuals or lenders will be investigated and, if necessary, corrective action may be taken.
- o) **Conflict of Interest**
- i) FTHB assistance shall not be provided to any person or the immediate family of any person who is in a decision-making position relative to any aspect of the FTHB Program or the associated first mortgage. This includes, but is not limited to, employees and immediate family members of employees of the Riverside County Economic Development Agency and participating lenders.

4) **PARTICIPATING LENDERS**

a) **Requirement**

- i) The County will only accept FTHB Applications from approved Participating Lenders who have entered into a Lender Participation Agreement with the County for this Program.

b) **Selection**

- i) The County shall establish minimum criteria for the selection of participating lenders for the FTHB Program. All selected lenders shall enter into a lender participation agreement with the County and shall agree to abide by the County's procedures for all borrowers participating in the FTHB Program. The minimum lender criteria for the First Time Home Buyer Program are as follows:

- (1) Participating lenders be direct lenders with the ability to originate and service loans. Loan brokers are not eligible for approval as a participating lender.
- (2) Participating lenders are encouraged to provide staff personnel with the ability to communicate in Spanish.
- (3) Participating lenders shall provide application assistance with minimal inconvenience to the borrower. Application assistance shall be provided at a time and place convenient to the borrower. This may include evenings and weekends and travel throughout the County.
- (4) Participating lenders shall demonstrate a commitment to Community Reinvestment Act (CRA) and affirmative marketing requirements, and outreach to minority and low income communities. Lenders shall agree to proactively market the Program to low income and minority people. All advertising to the general public shall be complimented with advertising targeted to these groups, including, but not limited to, minority newspaper, television and radio advertisements. The County will monitor all marketing efforts and will require periodic updates on the marketing efforts of participating lenders.
- (5) Participating lenders shall have demonstrable experience in first time homebuyer program.
- (6) The selection of participating lenders shall be at the sole discretion of the County of Riverside. The County reserves the right to limit the number of approved participating lenders.

c) Brokers

- i) Mortgage Brokers are not eligible for designation as participating lenders in the FTHB Program. Participating Lenders may enter into arrangements with brokers to process FTHB Applications. However, the Participating Lender shall remain responsible for all submittals to the County and for verifying that all aspects of the purchase meet the FTHB Program requirements.

d) Removal

- i) The Economic Development Agency may suspend or remove participating lenders from the First Time Home Buyer Program in accordance with the terms of the Lender Participation Agreement. Lenders may be suspended or removed from the Program based on, but not limited to, the following violations:
 - (1) Failure to follow the FTHB Program Guidelines, as described in this Manual and periodic Lender Bulletins.
 - (2) Failure to submit all outstanding documentation within thirty (30) days of loan closing.
 - (3) Withholding information that would result in applicant or property disqualification from the program.
 - (4) Negligent or fraudulent misstatements or actions in regard to the Program.
 - (5) Failure to conduct reasonable verification of applicant qualifications for the Program.
 - (6) Failure to maintain complete applicant records for minimum of (7) years after loan closing.

e) Authorized Lender Staff

- i) Staff members of participating lenders that have completed the annual FTHB Lender Training Session are authorized to sign all FTHB forms and to make submissions to the Program. EDA will provide all Lender Training Participants with a Certificate indicating that they have completed the necessary training to participate in the FTHB Program.

- ii) Staff that has not completed the training may only participate in the Program under the supervision of a staff member who has attended the lender training. Staff that has not completed the training are not authorized to sign the form or to make submissions to the Program.

5) PROCESSING PROCEDURES

FTHB Applications will be processed by the County on a first-come, first-served basis, in chronological order as received from participating lenders. The County will maintain a running balance of funds available, and once funds are exhausted, the County will stop accepting applications and notify the participating lenders that the Program is out of funds. It is the participating lender's responsibility to verify the availability of funds prior to loan application submitted. The following procedures are to be followed for FTHB applications.

The First Time Home Buyer (FTHB) program will not accept any forms with whiteout. This includes the required County FTHB forms and all subsequent items that are requested to fund the FTHB loan. If any changes need to be made to forms please lineout and initial the change.

Please note, any document submitted during the Reservation Phase that is incomplete or contains whiteout will cause the file to be returned back to the lender without being processed. This procedure is in place to maintain the validity of all documents submitted to the County and allow other homebuyers with complete paperwork to move into the Reservation Phase.

a. Pre-Qualification Phase

- i) Potential buyer contacts participating lender.
- ii) Participating lender screens the buyer for program eligibility (income & first-time buyer status).
- iii) Participating lender takes a loan application and pre-qualifies buyer for the maximum first loan that they can afford given their income, debts and prevailing interest rates. First loan must be a thirty-year, fully amortized, fixed rate loan, or a CalHFA forty-year loan, or a CalHFA Interest Only Plus thirty-five year loan.
- iv) Lender provides buyer with a pre-qualification letter that states:
 - (1) the maximum home price that the buyer can afford, based on the maximum first loan amount plus the maximum FTHB Program assistance (a maximum gap finance limit such that the housing payment to income ratio is between the range of twenty-five percent (25%) and thirty-five percent (35%) with an absolute maximum amount of \$75,000 for both down-payment assistance {20% of purchase price} and closing cost assistance;
 - (2) the locations where the buyer may not purchase;
 - (3) that the buyer shall provide a Homeownership Notice to the Sellers (Form FTHB-3) by attaching this form to the Purchase Offer as an Addendum and request that the Seller(s) sign this form when they accept the purchase offer or at the earliest possible date following acceptance of the purchase offer; and
 - (4) Any conditions imposed by the lender.
- v) Buyer attends an EDA-approved 8 hour Home Buyer Education seminar and receives a Certificate of Completion. The buyer is encouraged to complete this requirement as soon as possible in the home purchase process. A copy of the Certificate of Completion certifying that the buyer has completed this requirement is needed prior to the Request for Funding Phase.
- vi) Buyer locates a home and enters into a purchase agreement. Buyer provides Homeownership Notice to Sellers (FTHB-3) as an addendum to the purchase contract for the Seller to sign at acceptance of purchase offer.

b. Reservation Phase

- i) Lender submits a request for reservation of funds to the Agency. Incomplete applications will not be accepted. All items must be included in initial submittal - faxes will not be accepted for the Reservation Phase. Reservations that are missing any required items will not be processed and will be returned to the Lender. Request must include all of the following:
- (1) First Time Home Buyer Assistance Reservation Form (Form FTHB-1).
 - (2) Signed Original Certification of Applicant Form (Form FTHB-2).
 - (3) Copy of the signed Sales Agreement, or equivalent, including all counter offers and the Real Estate Transfer Disclosure Statement.
 - (4) Homeownership Notice to Sellers (Form FTHB-3) fully signed and dated.
 - (5) Copy of the Escrow Instructions.
 - (6) Copy of the complete Preliminary Report of Title.
 - (7) Completed FTHB Program Financing Worksheet (Form FTHB-4) and Good Faith Estimate of Closing Costs.
 - (8) Copy of fully completed and signed Loan Application.
 - (9) Copy of last three years federal tax returns or Income Tax Affidavit (Form FTHB-5). **PLEASE NOTE:** The applicant must sign the tax returns stating that "This is a true and exact copy of the returns submitted to the IRS."
 - (10) Copy of the Standard Flood Hazard Determination (FEMA Form 81-93).
 - (11) For existing homes, a copy of the home inspection.
 - (12) NOTE: The Home Inspection Report should be submitted to EDA as soon as it is available. Based on an evaluation of this Report, EDA may require repairs to be completed prior to close of escrow. EDA will mail a copy of this Report to the borrowers, for their information.
- ii) Agency will review the Reservation and within **ten (10) working days** will issue or reject the reservation. Reservation requests will be processed on a first come, first served basis. The reservation may be rejected for the following reasons:
- (1) Buyer or home does not meet the Program Requirements.
 - (2) Reservation package is incomplete; or
 - (3) The Agency does not have sufficient funds to provide the requested amount of assistance.
- iii) A written Funding Reservation will be issued within **ten (10) working days** of receipt of the Reservation Request. The Funding Reservation will be conditioned upon certain items, as follows:
- (1) Transaction must be completed within sixty (60) days of the Funding Reservation. Requests for extensions of time shall be submitted in writing at least ten working days prior to expiration of the Funding Reservation and shall include the reason for the extension. The Agency will evaluate the request for reasonableness and will approve or deny the extension in writing.
 - (2) For existing homes, a copy of the home inspection shall be submitted as soon as it is available, and shall demonstrate that the home will be ready for occupancy upon closing.

- (3) Written proof that any items listed in the Home Inspection or purchase agreement that were to be completed prior to occupancy has been completed.
- (4) Appraisal establishing property value (not purchase price). Property value shall be at least the purchase price and no more than the program limit.
- (5) Any other items needed to verify applicant or property eligibility for the Program.

iv) Lender processes first loan and establishes a closing date.

c) Request for Funding Phase

i) Unless specifically requested by EDA, faxes will not be accepted for the Request for Funding Phase documents. Upon final loan approval, **at least fifteen (15) working days prior to scheduled funding**, Lender submits the following:

- (1) A true and correct copy of the FNMA Summary Form 1008 or a true and correct copy of the FHA Mortgage Credit Analysis Worksheet, Form 92900-WS, as appropriate.
- (2) Copy of Certificate indicating buyer's completion of the Home Buyer Education class.
- (3) Copy of Certificate of Occupancy for newly constructed homes.
- (4) Written proof that any items listed in the Home Inspection or purchase agreement that were to be completed prior to occupancy has been completed.
- (5) Copy of appraisal establishing property value and purchase price not exceeding 95% of the 203b loan limits.
- (6) Any outstanding items noted in the written Funding Reservation letter issued by the Agency.
- (7) Written request from escrow officer for FTHB funds to be deposited into escrow, including instructions for wire transfer, if applicable. Wire instructions are to be submitted legible with a minimum 10 point font size and include the bank name, bank address, ABA number, account number, escrow/title number, and client vesting. **The County requires a minimum of ten (10) working days, excluding holidays, to process a claim and wire funds to escrow.** This time period begins when the Confirmation letter is issued.

ii) The Riverside County Economic Development Agency reviews these items within **five (5) working days**. If all items have been satisfied, the Agency will issue a confirmation letter to the Lender and Escrow Company approving the Agency Assistance and designating the date that funds will be deposited into escrow. The Agency will also prepare the loan documents and forward them to escrow to be signed by the borrower(s).

d) Closing Phase

i) Buyer(s) attend settlement appointment and sign all loan closing documents including all legal documents prepared by EDA. EDA documents to be signed at closing are as follows:

- (1) First Time Home Buyer Assistance Program Disclosure Statement.
- (2) Promissory Note.
- (3) Subordinate Deed of Trust.
- (4) Itemization of Amount Financed
- (5) Lead-Based Paint Notice for homes constructed before 1978.

(6) Escrow Officer Checklist (to be initialed and signed by the Escrow Officer)

- ii) Escrow submits the signed First Time Home Buyer Assistance Program Disclosure Statement (Form FTHB-7), Promissory Note, Lead-Based Paint Notice (if required), and Escrow Officer Checklist and proof of property insurance to EDA as soon as they are executed.
- iii) Escrow submits a copy of the Estimated HUD-1 Statement with signed loan documents.
- iv) EDA reviews Estimated HUD-1 Statement and executed loan documents and issues funding approval via fax to Escrow.
- v) Loans are funded and home purchase closes.
- vi) Escrow submits a copy of the Final HUD-1 Statement
- vii) Title Company provides EDA with a copy of the Title Insurance Policy insuring the County's interest in the property.
- viii) **FAILURE TO SUBMIT CLOSING DOCUMENTS WITHIN THIRTY (30) DAYS OF CLOSING WILL RESULT IN SUSPENSION OF LENDER, INCLUDING ALL BRANCHES, FROM THE FTHB PROGRAM. CLOSING DOCUMENTS INCLUDE, THE PROOF OF PROPERTY INSURANCE, FINAL HUD-1, TITLE POLICY, AND THE EDA LOAN DOCS. THE AGENCY WILL NOT ACCEPT FUNDING RESERVATION REQUESTS FROM SUSPENDED LENDERS.**
- ix) Escrow/Title Company closes out the FTHB File and records a Request for Notice.

e) Resubmission of Denied Applications.

- i) The County will only process resubmissions of denied applications if it can be demonstrated that the reasons for denial were based on inaccurate or missing information. Back-up documentation to support all such resubmissions shall be submitted, and the Application will be processed as indicated above. For example, if an application was denied for not being a first-time home buyer, the resubmission shall include evidence that the buyer did not have any ownership interest in their principal residence. Examples of such evidence may include, but are not limited to, a chain of title, copies of deeds, copies of divorce papers or other legal documents showing ownership of property.

f) Changes in Information.

- i) In some cases there may be changes in information between the date the Reservation Request is submitted and the date of the closing. All such changes shall be handled in the following manner:
 - (1) Change in Home Being Purchased. In order to change the home being purchased, the following shall be completed listing the new address and re-submitted to the County.
 - (2) Change After Reservation and Before Request for Funding
 - (a) Cover letter from Lender describing change and why it occurred;
 - (b) New Reservation (Form FTHB-1), completed in full and listing new address and relevant information;
 - (c) New Homeownership Notice to Sellers (Form FTHB-3) completed and fully signed;
 - (d) Copy of New Signed Sales Agreement or equivalent; and
 - (e) Copy of New Escrow Instructions.

- (f) New Financing Worksheet (Form FTHB-4), fully completed and signed;
 - (g) Copy of new Home Inspection Report;
 - (h) Written proof that items listed in the Home Inspection that affect habitability of the unit have been corrected; and
 - (i) Copy of new appraisal.
- (3) The County will evaluate these materials and determine if the property and buyer meet all of the Program Requirements. This determination of approval or denial of the change will be provided to the Lender in writing. Denial may occur if the home is not located in a participating location, if the home value exceeds the program limit, if the home is determined to not be in standard condition, if the home is occupied by a tenant or has been vacant for less than 60 days, if there is an increase in the amount of assistance required and this amount exceeds the program limits or if the County has insufficient funds to increase the amount of assistance, or if there are any other changes which affect eligibility of the buyer or property.
- (4) Changes in Income. The initial income determination is valid for six months. A re-verification of income will be required if more than six months elapse from date of income determination. Any changes in income that increase the household income must be re-submitted for an eligibility determination. This includes the addition of additional household members age 18 and older, or increases in the income of any household member. Changes in income shall be immediately reported by submitting a new, fully signed, Certification of Applicant (Form FTHB-2).
- (5) Marriage and/or the Addition of New Adult Household Members. The addition of any new adults to the household shall be immediately reported by submitting a new, fully signed, Certification of Applicant (Form FTHB-2), as well as the last three years tax returns for the new family members. All new adult household members must meet the first time home buyer requirement, and the income of all adult household members shall be included in determining income eligibility.
- (6) Homeownership Interest. If the applicants acquire an ownership interest in their principal residence at any time prior to closing, the household no longer meets the first time buyer requirement and is ineligible for the Program. The Application and Reservation are automatically denied if this should occur.
- (7) Increase in Price. If the price of the home increases, or the amount of assistance needed changes, the County must be notified immediately. Revised forms noting the changes shall be submitted as soon as possible. The home may become ineligible if the home value as established by the appraisal exceeds the maximum value limitation. In addition, any increase in the amount of assistance needed must comply with the maximum assistance amounts and is dependent upon availability of sufficient Program funds.
- (8) Decrease in Price. If the price of the home decreases, the amount of County assistance will decrease. The EDA shall be notified no later than the Request for Funding. The Lender shall note the decrease on the Request for Funding Cover Sheet and shall include the new price in the Lender's Certification.

APPENDICES

- A. INCOME AND PROPERTY VALUE LIMITS
- B. PARTICIPATING JURISDICTIONS
- C. CALCULATING ANNUAL INCOME
- D. FIRST TIME HOME BUYER PROGRAM DEFINITIONS
- E. HOUSING QUALITY STANDARD CHECKLIST
- F. FIRST TIME HOME BUYER APPLICATION CHECKLIST
- G. FIRST TIME HOME BUYER RESERVATION FORMS
- H. FIRST TIME HOME BUYER REQUEST FOR FUNDING FORMS
- I. FIRST TIME HOME BUYER CLOSING FORMS
- J. CLOSING COST ASSISTANCE PROGRAM
- J-1. COVENANT AGREEMENT (FOR CLOSING COST ASSISTANCE)

**APPENDIX A
INCOME AND PROPERTY VALUE LIMITS**

Maximum Annual Household Income Adjusted for Family Size Effective February 14, 2008	
Household Size	Maximum Annual Income
1	\$37,300
2	\$42,650
3	\$47,950
4	\$53,300
5	\$57,550
6	\$61,850
7	\$66,100
8	\$70,350

MAXIMUM PROPERTY VALUE

The property value shall be established by an appraisal prepared according to industry standards for appraisals. This value shall be the after-rehabilitation value, if any improvements are included in the purchase transaction. Neither the property value, as established by the appraisal, nor the purchase price shall exceed 95% of the FHA 203 (b) Loan Limit for Riverside County. The maximum purchase price for the property value should not exceed \$380,000.

ASSETS

In addition to income, family assets (excluding personal property, funds in restricted retirement accounts, and funds to be used for the home purchase) shall not exceed a 12 month reserve based on the maximum income for the family size. For example, a family of four shall have a maximum of \$53,300 in assets, excluding personal property (such as automobiles and furniture), funds in restricted retirement accounts, and funds to be used in the home purchase. See Appendix D for a detailed explanation of how to calculate income and the items to be included and excluded from assets.

**APPENDIX B
PARTICIPATING JURISDICTIONS**

The Riverside County First Time Home Buyer Assistance Program may be utilized to purchase a home in the following locations:

All Unincorporated Areas of Riverside County
(see below for a discussion of unincorporated areas)
and within the City Limits of the following jurisdictions:

Banning	Beaumont
Blythe	Canyon Lake
Cathedral City	Desert Hot Springs
Indio	Lake Elsinore
La Quinta	Murrieta
Norco	Perris
San Jacinto	Temecula
Wildomar	Menifee

Please note that the following cities are **not eligible** for the FTHB Program and assistance **cannot** be given to purchasers of homes located within the City Limits of these cities:

Calimesa	Coachella
Corona	Hemet
Indian Wells	Moreno Valley
Palm Desert	Palm Springs
Rancho Mirage	Riverside

Unincorporated Areas

These are areas that are outside of the city limits of an incorporated city. Unincorporated areas are under the political jurisdiction of the County of Riverside. Unincorporated areas frequently have mailing addresses of the nearest city; however this does not indicate that they are within the boundaries of that city. In general, the County will rely on the 2008 Edition of the Thomas Guide - Riverside County Street Guide and Directory in determining if a property is within the boundaries of a city. If there is a dispute concerning a specific property, the County will contact the nearest city for the precise city boundaries. All unincorporated areas are eligible for the FTHB Program.

Please note that unincorporated communities frequently have community names. The following list includes many, but not all, unincorporated communities in Riverside County. Occasionally, a city will annex part of an unincorporated community and the community will continue to use its common name. However, in general, most areas within these communities are unincorporated:

Eastern County Unincorporated Communities:

4th District: Desert Center, East Blythe, Mecca, North Shore, Ripley, Thermal, and Thousand Palms.

Western County Unincorporated Communities:

1st District: Glen Ivy, Lake Hills, Mead Valley, and Woodcrest.

2nd District: El Cerrito, Home Gardens, Glen Avon, Mira Loma, Pedley, and Rubidoux.

3rd District: Anza, Cabazon, Cherry Valley, Homeland, Idyllwild, Lakeview, Menifee, Nuevo, Quail Valley, Romoland, Sage, Sun City, Valle Vista, and Winchester.

5th District: Good Hope, Highgrove, and Lakeview.

**APPENDIX C
CALCULATING ANNUAL INCOME**

- 1) Annual income is the gross amount of income anticipated to be received by all adults in a family during the 12 months following the effective date of the determination. Anticipated income is generally determined by annualizing current income for the next 12 months. Annual income includes anticipated income from assets. The following chart generally describes how to calculate various types of income. A more detailed explanation is provided in the subsequent paragraphs.

Source of Income	Guidance for Calculation
Earned Income	Use current circumstances to anticipate future earnings. Include all family members over age 18, including income of a temporarily absent spouse or other usual family member. Make sure to use annual figures. If wages are paid hourly, assume 2080 hours for full time employment.
Income from Assets (interest earning bank accounts, stocks and bonds, CDs, IRAs, Keogh accounts, etc.)	If under \$5,000, use the actual income. If over \$5,000, use the greater of the actual or the imputed income based on the passbook rate established by HUD. Assets disposed of for less than fair market value are counted for two years. The current HUD Passbook rate is 3.5%.
Contributions and gifts	Include as income if contributions are made on a regular basis.
Alimony and child support	Include if the support is actually being provided.
Income from a business	Generally, this is gross income less expenses.
Insurance settlements, inheritances, proceeds from sale of property and other lump sum payments	Generally, these are assets and not income.
Income from welfare assistance	Count the basic welfare grant, and in states with separate "welfare rents", the maximum allowed for shelter and utilities.
Periodic payments, such as social security, pensions, etc.	Make sure to calculate the annual value of periodic payments. Lump sum payments are treated as assets.

- 2) The following income is to be included when calculating annual income:
- a) All wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services (before any payroll deductions);
 - b) Net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness cannot be used as deductions in determining net income; however, an

- allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession is included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the Family;
- c) Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness cannot be used as a deduction in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (b) of this section. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the Family. Where the Family has Net Family Assets in excess of \$5,000, Annual Income includes the greater of the actual income derived from Net Family Assets or a percentage of the value based on the current passbook savings rate, as determined by HUD;
 - d) All gross periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum payment for the delayed start of a periodic payment (except social security);
 - e) Payments in lieu of earnings, such as unemployment, worker's compensation and severance pay (but see paragraph (3c) under Income Exclusions);
 - f) Welfare Assistance. If the Welfare Assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the Welfare Assistance agency in accordance with the actual cost of shelter and utilities, the amount of Welfare Assistance income to be included as income consist of:
 - i) The amount of the allowance or grant exclusive of the amount specially designated for shelter or utilities; plus
 - ii) The maximum amount that the Welfare Assistance agency could in fact allow the Family for shelter and utilities. If the Family's Welfare Assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph is the amount resulting from one application of the percentage;
 - g) Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling. Alimony and child support amounts awarded as part of a divorce or separation agreement are included as income unless the applicant (1) certifies that the income is not being provided, and (2) takes all reasonable legal actions to collect amounts due; and
 - h) All regular pay, special pay, and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is head of the Family, spouse, of other person whose dependents are residing in the unit (but see paragraph (g) under Income Exclusions);
- 3) The following income is to be excluded when calculating income:
- a) Income from employment of children (including foster children) under the age of 18 years;
 - b) Payments received for the care of foster children;
 - c) Lump-sum additions to Family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses (but see paragraph (e) of Income Inclusion);
 - d) Amounts received by the Family that are specifically for, or in reimbursement of, the cost of Medical Expenses for any Family member;
 - e) Income of a live-in aide;

- f) 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, equipment, materials, supplies, transportation, and miscellaneous personal expenses of the student. Any amount of such scholarships or payments to a veteran not used for the above purchases that is available for subsistence are to be included in income;
- g) The special pay to a Family member serving in the Armed Forces who is exposed to hostile fire;
- h) Amounts received under training programs funded by HUD;
- i) Amounts received by a Disabled person that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self Sufficiency (PASS); or
- j) Amounts received by a participant in other publicly assisted programs that are specifically for, or in reimbursement of, out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and that are made solely to allow participation in a specific program;
- k) Temporary, non-recurring, or sporadic income (including gifts);
- l) Reparation payments from foreign governments in connection with the Holocaust;
- m) Lump sum payments of SSI and Social Security benefits; or
- n) Amounts specifically excluded by other Federal Statute for consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under the 1937 Act, including:
 - i) The value of the allotment provided to an eligible household under the Food Stamp Act of 1977;
 - ii) Payments to volunteers under the Domestic Volunteer Act of 1973 (employment through VISTA Retired Senior Volunteer Program, Foster Grandparents Program, youthful offenders incarceration alternatives, and senior companions);
 - iii) Payments received under the Alaska Native Claims Settlement Act (43 U.S.C. 1626 (a));
 - iv) Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes (25 U.S.C. 259e);
 - v) Payments of allowances made under the Department of Health and Human Services' Low Income Home Energy Assistance Program (42 U.S.C. 8624 (f));
 - vi) Payments received under programs funded in whole or in part under the Workforce Investment Act;
 - vii) Income derived from the disposition of funds of the Grand River Band of Ottawa Indians;
 - viii) The first \$2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission, or the Court of Claims (25 U.S.C. 1407-1408), or from funds held in trust for an Indian tribe by the Secretary of Interior (25 U.S.C. 117);
 - ix) Amounts of scholarships funded under Title IV of the Higher Education Act of 1965, including awards under the Federal work-study program or under the Bureau of Indian Affairs student-assistance programs (20 U.S.C. 1087 uu);
 - x) Payments received from program funded under Title V of the Older Americans Act of 1965 (42 U.S.C. 3056 (f));
 - xi) Any earned income tax credit;

- xii) Payments received after January 1, 1989 from the Agent Orange Settlement Funds or any other funds established pursuant to the settlement in Re Agent Orange product liability litigation, MDL No. 381 (E.D.N.Y.);
 - xiii) The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990 (42 USC 9858q); and
 - xiv) Payments received under the Maine Indian Claims Settlement Act of 1980.
- 4) Income from assets is to be included when determining total income. The income to be counted is: (a) the actual income from assets if total assets are \$5,000 or less; or (b) If assets are more than \$5,000, the greater of the actual income from assets, or the total assets times the passbook rate.
- 5) Assets include the following items:
- a) Amounts in savings and checking accounts.
 - b) Stocks, bonds, savings certificates, money market funds and other investment accounts.
 - c) Equity in real property or other capital investments. Equity is the estimated current market value of the assets less the unpaid balance on all loans secured by the asset and reasonable costs (such as broker fees) that would be incurred in selling the asset.
 - d) The cash value of trusts that are available to the household.
 - e) IRA, Keogh and similar retirement savings accounts, even though withdrawal will result in a penalty.
 - f) Contributions to company retirement/pension funds that can be withdrawn without retiring or terminating employment.
 - g) Assets which, although owned by more than one person, allow unrestricted access by the applicant.
 - h) Lump sum receipts such as inheritances, capital gains, lottery winnings, insurance settlements, and other claims.
 - i) Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.
 - j) Cash value of insurance policies.
 - k) Assets disposed of for less than fair market value during two years preceding the income determination.
- 6) Assets do not include the following items:
- a) Necessary personal property, except as noted in 5. i. above.
 - b) Interest in Indian trust lands.
 - c) Assets that are part of an active business or farming operation. Note: Rental properties are considered personal assets held as an investment rather than business assets unless real estate is the applicant's main occupation.
 - d) Assets not accessible to the family and which provide any income to the family.
 - e) Vehicles especially equipped for the handicapped.
 - f) Equity in owner-occupied cooperatives and manufactured homes in which the family lives.

**APPENDIX D
FIRST TIME HOME BUYER PROGRAM
DEFINITIONS**

Abstract or Title Search, Title Examination, Title Insurance Binder. These charges cover the costs of the search and examination of records of previous ownership, transfers, etc., to determine whether the seller can convey clear title to the property, and to disclose any matters on record that could adversely affect the buyer or the lender. Examples of title problems are unpaid mortgages, judgment or tax liens, conveyances of mineral rights, leases, and power line easements or road right-of-ways that could limit use and enjoyment of the real estate. In some areas, a title insurance binder is called a commitment to insure.

Additional Settlement Charges. The lender or the title insurance company may require that a surveyor conduct a property survey to determine the exact location of the home and the lot line, as well as easements and rights of way. This is a protection to the buyer as well. Usually the buyer pays the surveyor's fees, but sometimes this may be handled by the seller.

Amortization. The gradual repayment of a mortgage with equal monthly payments over the life of the loan.

Annual Assessments - Recurring. This reserve item covers assessments that may be imposed by subdivisions or municipalities for special improvements (such as sidewalks, sewers or paving) or fees (such as homeowners' association fees).

Annual Income. Gross amount of income anticipated to be received by all adults in a household during the 12 months following the effective date of the determination. Anticipated income is generally determined by annualizing current income for the next 12 months. See Appendix D for income to be included and excluded from the annual income calculation.

Appraisal Fee. The fee charged for the preparation of an appraisal of property value.

Appraisal. An estimate of property value prepared in accordance with accepted practices and standards by an independent appraiser who is licensed by the State of California. The appraiser inspects the house and the neighborhood, and considers sales prices of comparable houses and other factors in determining the value. The appraisal report may contain photos and other information of value to you. It will provide the factual data upon which the appraiser based the appraised value.

Assumption Fee. This fee is charged for processing papers for cases in which the buyer takes over the payments on the prior loan of the seller.

Attorney's Fees. You may be required to pay for legal services provided to the lender in connection with the settlement, such as examination of the title binder or sales contract. Occasionally this fee can be shared with the seller, if so stipulated in the sales contract. If a lawyer's involvement is required by the lender, the fee will appear on this part of the form. The buyer and seller may each retain an attorney to check the various documents and to represent them at all stages of the transaction, including settlement. Where this service is not required and is paid for outside of closing, the person conducting settlement is not obligated to record the fee on the settlement form.

California Housing Finance Agency (CalHFA). California Housing Finance Agency (CalHFA) assists first-time homebuyers by providing financing and programs that create safe, decent and affordable housing opportunities for individuals within specified income ranges. CalHFA was chartered as the State's affordable housing bank to make below market-rate loans through the sale of tax-exempt bonds. A completely self-supporting State agency, bonds are repaid by revenues generated through mortgage loans, not taxpayer dollars.

City/County Property Taxes - Recurring. The lender may require a regular monthly payment to the reserve account for property taxes.

Closing Costs. Fees and expenses, in addition to the down payment, that are required to complete a real estate transaction. Closing costs may be non-recurring or recurring. Non-recurring costs are only paid once and include, but are not limited to items such as loan origination fees, points, title fees, recording fees, transfer taxes. A

maximum of \$2,000 of non-recurring costs as delineated in Appendix J are eligible for payment by the ADDI Closing Cost Assistance Program. Recurring costs are paid at closing and will be incurred again after purchase. Examples of recurring costs are property taxes, hazard insurance, interest, mortgage insurance and mortgage insurance premiums, and annual assessments. Recurring costs are not eligible for payment by the FTHB Program.

Closing. The final step in transferring ownership of a property from seller to buyer.

Credit Report Fee. This fee covers the cost of the credit report, which shows how you have handled other credit transactions. The lender uses this report in conjunction with information you submitted with the application regarding your income, outstanding bills, and employment, to determine whether you are an acceptable credit risk and to help determine how much money to lend you. When credit reporting problems are encountered, you have protection under the Fair Credit Laws.

Deed. A legal document conveying title to a property.

Displaced homemaker. An individual who, (1) is an adult; (2) has not worked full-time, full-year in the labor force for a number of years but has, during such years, worked primarily without remuneration to care for the home and family; and (3) is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.

Document Preparation. There may be a separate document fee that covers preparation of final legal papers, such as a mortgage, deed of trust, note, or deed. You should check with the settlement agent to see that these services, if charged for, are not also covered under some other service fees.

Eligible Property. A property to be used as the buyers' principal residence which is located in a participating location and has an appraised property value that does not exceed the property value limit established by the FTHB Program.

Equity. The owner's value or interest in a property. Equity is computed as the difference between the market value of a property and the owner's indebtedness incurred against the property.

Escrow. The placement of money or documents with a third party for safekeeping pending the fulfillment or performance of a specific act or condition.

Existing Home. Any residence that has been previously occupied for residential purposes.

FHA Mortgage. A mortgage loan insured by the Federal Housing Administration.

Fannie Mae. A nickname for the Federal National Mortgage Association (FNMA), a tax paying corporation created by Congress to support the secondary mortgage insured by FHA or guaranteed by VA, as well as conventional home mortgages.

First Mortgage. A mortgage, the proceeds of which are used to purchase the property, issued by a participating lender and recorded in first position on the deed.

First-Time Home Buyer. An individual or an individual and his or her spouse who have not owned their principal residence during the three-year period before the purchase of a home with HOME assistance, except that the following persons shall not be excluded from consideration as a first-time Home Buyer:

A person who qualifies as a displaced homemaker or a single parent, as defined herein, and, while previously married, owned a home with his or her spouse, or resided in a home owned by the spouse.

A person who owns or owned a principal residence during the three year period which is (a) not permanently affixed to a permanent foundation in accordance with local or other applicable regulations, or (b) is not in compliance with State, local or model building codes, or other applicable codes, and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure.

Freddie Mac. A nickname for the Federal Home Loan Mortgage Corporation (FHLMC), a federally controlled and

operated corporation to support the secondary mortgage market. Freddie Mac purchases and sells conventional home mortgages.

Government Recording and Transfer Charges. These fees may be paid either by borrower or seller, depending upon your contract when you buy the home or accept the loan commitment. The borrower usually pays the fees for legally recording the new deed and mortgage. These fees collected when property changes hands or when a mortgage loan is made, may be quite large and are set by State and/or local governments. City, county and/or State tax stamps may have to be purchased as well.

Hazard Insurance Premium - Recurring. This premium prepayment is for insurance protection for you and the lender against loss due to fire, windstorm, and natural hazards. This coverage may be included in a homeowner's policy which insures against additional risks which may include personal liability and theft. Lenders often require payment of the first year's premium at settlement. Hazard insurance or homeowner's policy may not protect you against loss caused by flooding. If your mortgage is federally insured and your property is within a special flood hazard area identified by FEMA, you may be required by Federal law to carry flood insurance on your home. Such insurance may be purchased in participating communities under the National Flood Insurance Act.

Hazard Insurance - Recurring. The lender determines the amount of money that must be placed in the reserve in order to pay the next insurance premium when due.

Home. A one-unit dwelling, including a single family home, condominium or manufactured home on a permanent foundation that will be the buyers' permanent residence.

HOA. A **homeowners' association** (abbrev. **HOA**) is the legal entity created by a real estate developer for the purpose of developing, managing and selling a community of homes. It is given the authority to enforce the covenants, conditions, and restrictions (CC&Rs) and to manage the common amenities of the development. It allows the developer to legally exit responsibility of the community typically by transferring ownership of the association to the homeowners after selling off a predetermined number of lots. Most homeowners' associations are non-profit corporations, and are subject to state statutes that govern non-profit corporations and homeowners' associations.

Home Buyer Education. A course or class designed to prepare persons for homeownership. Topic covered include the home buying process, obtaining a loan, and responsibilities associated with homeownership, including, but not limited to, maintenance and payment obligations.

Home Inspection Report. A pre-purchase inspection prepared by a qualified home inspector which documents the condition and working order of the home and all fixtures included in the home purchase agreement. The inspection and report shall be prepared in accordance with industry standards. The report shall list any and all conditions which impair the habitability of the unit. The Home Inspection Report is used to determine that the home is in standard condition and will comply with Housing Quality Standards upon occupancy.

Home Warranty. A warranty provided by an independent company that provides for the repair of specified items in a home during the warranty period, usually for a small deductible.

Homeownership. Ownership in fee simple title or a 99 year leasehold interest in a one- to four-unit dwelling or in a condominium unit, or ownership or membership in a cooperative. The ownership interest may be subject only to mortgages, deeds of trust, or other liens or instruments securing debt on the property; resale restrictions imposed through this Program; or any other restrictions or encumbrances that so not impair the good and marketable nature of title to the ownership interest.

Household. One or more persons occupying a housing unit.

Housing Quality Standard. A minimum standard of habitability established by the Public Housing Authority.

HUD. The United States Department of Housing and Urban Development, a federal governmental agency established to implement certain federal housing and community development programs.

Impound Account. That portion of a mortgagor's monthly payment held in trust by the lender to pay for taxes,

hazard insurance, mortgage insurance, lease payments, and other recurring items, as they become due. Also referred to as an escrow payment.

Interest - Recurring. Lenders usually require that borrowers pay at settlement the interest that accrues on the mortgage from the date of settlement to the beginning of the period covered by the first monthly payment. For example, suppose your settlement takes place on April 16 and your first regular monthly payment will be due June 1 to cover interest charges for the month of May. On the settlement date, the lender will collect interest for the period from April 16 to May 1. If you borrowed \$60,000 at 12 percent interest, the interest item would be \$303.30.

Items Required by Lender To Be Paid In Advance. You may be required to prepay certain items, such as interest, mortgage insurance premium and hazard insurance premium, at the time of settlement.

Lender's Inspection Fee. This charge covers inspections, often of newly-constructed housing made by personnel of the lending institution or an outside inspector.

Lender's Title Insurance. A one-time premium may be charged at settlement for a lender's title policy which protects the lender against loss due to problems or defects in connection with the title. The insurance is usually written for the amount of the mortgage loan and covers losses due to defects or problems not identified by title search and examination. The borrower may pay all, a part of, or none of this cost depending on the terms of the sales contract or local custom.

Lien. A legal claim against a property that must be paid when property is sold.

Loan Origination Fee. The charge assessed by a lender for processing a mortgage.

Loan-to-Value Ratio. The ratio of the mortgage loan principal (amount borrowed) to the property's appraised value (selling price).

Mortgage. A lien on real estate given by the buyer as security for money borrowed from a lender.

Mortgagee. The lender of money or the receiver of the mortgage document.

Mortgagor. The borrower of money of the giver of a mortgage document.

Mortgage Insurance Premium - Recurring. Mortgage insurance protects the lender from loss due to payment default by the borrower. The lender may require you to pay your first premium or a lump sum premium covering the life of the loan in advance, on the day of settlement. The premium may cover a specific number of months, a year in advance or the total amount. With this insurance protection, the lender is willing to make a larger loan, thus reducing your down payment requirements. This type of insurance should not be confused with mortgage life, credit life, or disability insurance designed to pay off a mortgage in the event of physical disability or death of the borrower.

Mortgage Insurance - Recurring. The lender may require that part of the total annual premium be placed in the reserve account at settlement. The portion to be placed in reserve may be negotiable.

Mortgage Insurer Application Fee. This fee covers processing the application for private mortgage insurance which may be required on certain loans. It may cover both the appraisal and application fee.

New Home. A residence that has received a certificate of occupancy but has never been previously occupied for residential purposes by any person. Also referred to as newly constructed.

Non-recurring Closing Costs. One-time fees and expenses paid at the time of closing. Non-recurring costs are paid in full at the time of closing.

Notary Fee. This fee is charged for the cost of having a licensed person affix his or her name and seal to various documents authenticating the execution of these documents by the parties.

Note. A written promise to pay a certain amount of money.

Owner's Title Insurance. This charge is for owner's title insurance protection and protects you against losses due to title defects. In some areas it is customary for the seller to provide the buyer with an owner's policy and for the seller to pay for this policy. In other areas, if the buyer desires an owner's policy he or she must pay for it.

Pest and Other Inspections. This fee is to cover inspections for termite or other pest infestation of the home. This may be important if the sales contract included a promise by the seller to transfer the property free from pests or pest-caused damage. Be sure that the inspection shows that the property complies with the sales contract before you complete the settlement. If it does not, you may wish to require a bond or other financial assurance that the work will be completed. This fee can be paid either by the borrower or seller depending upon the terms of the sales contract. Lenders vary in their requirements as to such an inspection.

Point. One percent of the loan amount.

Principal and Interest Payment (P&I). - A periodic (usually monthly) payment that includes the interest charges for the period plus an amount applied to amortization of principal balance.

Principal, Interest, Taxes, and Insurance Payment (PITI). The periodic payment that includes a principal and interest payment plus a contribution to the escrow account set up by the lender to pay insurance premiums and property taxes on the mortgage property.

Principal Residence. The primary dwelling unit in which a family resides. The residence can be a single family property, a 2-4 unit property, a condominium unit, a manufactured home on a permanent foundation or a cooperative unit.

Professional Property Inspection. A pre-purchase inspection that is conducted to determine the condition of a property prior to purchase. See also Home Inspection Report.

Property Value. The total value of a property as established in an appraisal by a qualified appraiser. The property value, not the purchase price, shall not exceed 95% of the area median purchase price for that type of housing, as annually determined by the United States Department of Housing and Urban Development (HUD).

Reserves Deposited With Lenders. Reserves (sometimes called "escrow" or "impound" accounts) are funds held in an account by the lender to assure future payment for such recurring items as real estate taxes and hazard insurance.

Settlement or Closing Fee. This fee is paid to the settlement agent. Responsibility for payment of this fee should be negotiated between the seller and buyer at the time the sales contract is signed.

Single parent. An individual who is (1) unmarried or legally separated from a spouse and (2) has one or minor children for whom the individual has custody or joint custody, or (3) is pregnant.

Survey. The lender or the title insurance company may require that a surveyor conduct a property survey to determine the exact location of the home and the lot line, as well as easements and rights of way. This is a protection to the buyer as well. Usually the buyer pays the surveyor's fees, but sometimes this may be handled by the seller.

Title. The accumulation of all rights in a property, often used interchangeably with the word ownership. Also refers to the document that is evidence of ownership.

Title Charges. Title charges may cover a variety of services performed by title companies and others and include fees directly related to the transfer of title (title examination, title search, document preparation) and fees for title insurance, legal charges, which include fees for lenders, seller's or buyer's attorney or the attorney preparing title work and fees for settlement agents and notaries. Due to the great diversity in practice from area to area, your particular settlement may not include all of these items or may include others not listed. Ask your settlement agent to explain how these fees relate to services performed on your behalf.

Title Insurance. The total cost of owner's and lender's title insurance is shown here. The borrower may pay all, a part or none of this cost depending on the terms of the sales contract or local custom.

Title Search. A check of title records to identify liens, encumbrances and ownership rights to the property.

VA Mortgage. A mortgage loan guaranteed by the Veterans Administration, an agency of the federal government that provides services for eligible veterans.

APPENDIX E

HOUSING QUALITY STANDARD CHECKLIST

The following checklist will be utilized by the County to determine a minimum level of habitability for all homes purchased through the FTHB Program.

Home inspectors should not use this form - it is provided here for informational purposes only. Home inspectors should prepare their reports in accordance with industry standards for that profession, and should use forms and methods in accordance with those standards.

Client # _____

Housing Quality Standards (HQS) Inspection Form

A. General Information

Date of Inspection: _____

Address of Inspected Unit: Street: _____

City: _____ County: _____ State: _____

Zip: _____

Name of Family: _____

Current Address of Family: Street: _____

City: _____ County: _____ State: _____

Zip: _____

Current Telephone of Family: _____

B. How to Fill Out This Checklist

Proceed through the inspection as follows:

Area	Checklist Category
Room by Room	1. Living Room 2. Kitchen 3. Bathroom 4. All Other Rooms Used for Living 5. All Secondary Rooms Not Used for Living
Outside	6. Building Exterior
Basement or Utility Room	7. Heating and Plumbing
Overall	8. General Health and Safety

Each part of the checklist will be accompanied by an explanation of the item to be inspected.

Important: For each item numbered on the checklist, check one box only (e.g., check one box only for item 1.4 "Security," in the Living Room).

In the space to the right of the description of the item, if the decision on the item is "Fail," write what repairs are necessary.

Also, if "Pass" but there are additional code items or items not consistent with rehab standards or area codes, write these in the space to the right.

1. LIVING ROOM

For each item numbered, check one box only.

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
1.1	LIVING ROOM PRESENT Is there a living room?			
1.2	ELECTRICITY Are there at least two working outlets or one working outlet and one working light fixture?			
1.3	ELECTRICAL HAZARDS Is the room free from electrical hazards?			
1.4	SECURITY Are all windows and doors that are accessible from the outside lockable?			
1.5	WINDOW CONDITION Is there at least one window, and are all windows free of signs of severe deterioration or missing or broken out panes?			
1.6	CEILING CONDITION Is the ceiling sound and free from hazardous defects?			
1.7	WALL CONDITION Are the walls sound and free from hazardous defects?			
1.8	FLOOR CONDITION Is the floor sound and free from hazardous defects?			
1.9	LEAD PAINT Are all interior surfaces either <i>free</i> of cracking, scaling, peeling, chipping, and loose paint or <i>adequately treated and covered</i> to prevent exposure of the occupants to lead based paint hazards?			
1.10	WEATHER STRIPPING Is weather stripping present and in good condition on all windows and exterior doors?			
1.11	OTHER			
1.12	OTHER			

Notes: (Give Item #)

2. KITCHEN

For each item numbered, check one box only.

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
2.1	KITCHEN AREA PRESENT Is there a kitchen?			
2.2	ELECTRICITY Is there at least <i>one</i> working electric outlet and <i>one</i> working, permanently installed light fixture?			
2.3	ELECTRICAL HAZARDS Is the kitchen free from electrical hazards?			
2.4	SECURITY Are <i>all</i> windows and doors that are accessible from the outside lockable?			
2.5	WINDOW CONDITION Are all windows free of signs of deterioration or missing or broken out panes?			
2.6	CEILING CONDITION Is the ceiling sound and free from hazardous defects?			
2.7	WALL CONDITION Are the walls sound and free from hazardous defects?			
2.8	FLOOR CONDITION Is the floor sound and free from hazardous defects?			
2.9	LEAD PAINT Are all interior surfaces either <i>free</i> of cracking, scaling, peeling, chipping, and loose paint or <i>adequately treated and covered</i> to prevent exposure of the occupants to lead based paint hazards?			
2.10	STOVE OR RANGE WITH OVEN Is there a working oven and a stove (or range) with top burners that work?			
2.11	REFRIGERATOR Is there a refrigerator that works and maintains a temperature low enough so that food does not spoil over a reasonable period of time?			

2. KITCHEN**For each item numbered, check one box only.**

2.12	SINK Is there a kitchen sink that works with hot and cold running water?			
2.13	SPACE FOR STORAGE AND PREPARATION OF FOOD Is there space to store and prepare food?			
2.14	WEATHER STRIPPING Is weather stripping present and in good condition on all windows and exterior doors?			
2.15	OTHER			
2.16	OTHER			

Notes: (Give Item #)

3. BATHROOM

For each item numbered, check one box only.

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
3.1	BATHROOM (see description) Is there a bathroom?			
3.2	ELECTRICITY Is there at least <i>one</i> permanently installed light fixture?			
3.3	ELECTRICAL HAZARDS Is the bathroom free from electrical hazards?			
3.4	SECURITY Are <i>all</i> windows and doors that are accessible from the outside lockable?			
3.5	WINDOW CONDITION Are all windows free of signs of deterioration or missing or broken out panes?			
3.6	CEILING CONDITION Is the ceiling sound and free from hazardous defects?			
3.7	WALL CONDITION Are the walls sound and free from hazardous defects?			
3.8	FLOOR CONDITION Is the floor sound and free from hazardous defects?			
3.9	LEAD PAINT Are all interior surfaces either <i>free</i> of cracking, scaling, peeling, chipping, and loose paint, or <i>adequately treated and covered</i> to prevent exposure of the occupants to lead based paint hazards?			
3.10	FLUSH TOILET IN ENCLOSED ROOM IN UNIT Is there a working toilet in the unit for exclusive private use of the tenant?			
3.11	FIXED WASH BASIN OR LAVATORY IN UNIT Is there a working, permanently installed wash basin with hot and cold running water in the unit?			
3.12	TUB OR SHOWER IN UNIT Is there a working tub or shower with hot and cold running water in the unit?			
3.13	VENTILATION Are there operable windows or a working vent system?			

3. BATHROOM**For each item numbered, check one box only.**

3.14	WEATHER STRIPPING Is weather stripping present and in good condition on all windows and exterior doors?			
3.15	OTHER			
3.16	OTHER			

Notes: (Give Item #)

4. OTHER ROOMS USED FOR LIVING AND HALLS

For each item numbered, check one box only.

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
4.1	<p>ROOM CODE and ROOM LOCATION:</p> <p>right/left _____</p> <p>front/rear _____</p> <p>floor level _____</p>	<p>ROOM CODES</p> <p>1 = Bedroom or any other room used for sleeping (regardless of type of room)</p> <p>2 = Dining Room, or Dining Area</p> <p>3 = Second Living Room, Family Room, Den, Playroom, TV Room</p> <p>4 = Entrance Halls, Corridors, Halls, Staircases</p> <p>5 = Additional Bathroom</p> <p>6 = Other</p>		
4.2	<p>ELECTRICITY</p> <p>If Room Code = 1, are there at least two working outlets or one working outlet and one working, permanently installed light fixture? If Room Code does not = 1, is there a means of illumination?</p>			
4.3	<p>ELECTRICAL HAZARDS</p> <p>Is the room free from electrical hazards?</p>			
4.4	<p>SECURITY</p> <p>Are <i>all</i> windows and doors that are accessible from the outside lockable?</p>			
4.5	<p>WINDOW CONDITION</p> <p>If Room Code = 1, is there at least one window? And, regardless of Room Code, are all windows free of signs of severe deterioration or missing or broken out panes?</p>			
4.6	<p>CEILING CONDITION</p> <p>Is the ceiling sound and free from hazardous defects?</p>			
4.7	<p>WALL CONDITION</p> <p>Are the walls sound and free from hazardous defects?</p>			
4.8	<p>FLOOR CONDITION</p> <p>Is the floor sound and free from hazardous defects?</p>			
4.9	<p>LEAD PAINT</p> <p>Are all interior surfaces either <i>free</i> of cracking, scaling, peeling, chipping, and loose paint, or <i>adequately treated and covered</i> to prevent exposure of the occupants to lead based paint hazards?</p>			
4.10	<p>WEATHERSTRIPPING</p> <p>Is weather stripping present and in good condition on all windows and exterior doors?</p>			

4. OTHER ROOMS USED FOR LIVING AND HALLS

For each item numbered, check one box only.

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
4.11	OTHER			
4.12	OTHER			

Notes: (Give Item #)

5. ALL SECONDARY ROOMS NOT USED FOR LIVING

For each item numbered, check one box only.

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
5.1	NONE. GO TO PART 6			
5.2	SECURITY Are <i>all</i> windows and doors that are accessible from the outside lockable in each room?			
5.3	ELECTRICAL HAZARDS Are all these rooms free from electrical hazards?			
5.4	OTHER POTENTIALLY HAZARDOUS FEATURES IN ANY OF THESE ROOMS Are all of these rooms free of any other potentially hazardous features? For each room with an "other potentially hazardous feature" explain hazard and means of control of interior access to room.			
5.5	OTHER			
5.6	OTHER			

Notes: (Give Item #)

6. BUILDING EXTERIOR

For each item numbered, check one box only.

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
6.1	CONDITION OF FOUNDATION Is the foundation sound and free from hazards?			
6.2	CONDITION OF STAIRS, RAILS, AND PORCHES Are all the exterior stairs, rails and porches sound and free from hazards?			
6.3	CONDITION OF ROOF AND GUTTERS Are the roof, gutters and downspouts sound and free from hazards?			
6.4	CONDITION OF EXTERIOR SURFACES Are exterior surfaces sound and free from hazards?			
6.5	CONDITION OF CHIMNEY Is the chimney sound and free from hazards?			
6.6	LEAD PAINT: EXTERIOR SURFACES Are all exterior surfaces which are accessible to children under seven years of age <i>free</i> of cracking, scaling, peeling, chipping, and loose paint, or <i>adequately treated or covered</i> to prevent exposure of such children to lead based paint hazards?			
6.7	MOBILE HOMES: TIE DOWNS If the unit is a mobile home, it is properly placed and tied down? If not a mobile home, check "Not Applicable."			
6.8	MOBILE HOMES: SMOKE DETECTORS If unit is a mobile home, does it have at least one smoke detector in working condition? If not a mobile home, check "Not Applicable."			
6.9	CAULKING Are all fixed joints including frames around doors and windows, areas around all holes for pipes, ducts, water faucets or electric conduits, and other areas, which may allow unwanted air flow appropriately caulked.			
6.10	OTHER			
6.11	OTHER			

Notes: (Give Item #)

7. HEATING, PLUMBING AND INSULATION

For each item numbered, check one box only.

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
7.1	ADEQUACY OF HEATING EQUIPMENT			
	a. Is the heating equipment capable of providing adequate heat (either directly or indirectly) to all rooms used for living?			
	b. Is the heating equipment oversized by more than 15%?			
	c. Are pipes and ducts located in unconditioned space insulated?			
7.2	SAFETY OF HEATING EQUIPMENT Is the unit free from unvented fuel burning space heaters, or any other types of unsafe heating conditions?			
7.3	VENTILATION AND ADEQUACY OF COOLING Does this unit have adequate ventilation and cooling by means of operable windows or a working cooling system?			
7.4	HOT WATER HEATER Is hot water heater located, equipped, and installed in a safe manner?			
7.5	WATER SUPPLY Is the unit served by an approvable public or private sanitary water supply?			
7.6	PLUMBING Is plumbing free from major leaks or corrosion that causes serious and persistent levels of rust or contamination of the drinking water?			
7.7	SEWER CONNECTION Is plumbing connected to an approvable public or private disposal system, and is it free from sewer back up?			
7.8	INSULATION Are the attic and walls appropriately insulated for regional conditions?			
7.9	OTHER			
7.10	OTHER			

Notes: (Give Item #)

8. GENERAL HEALTH AND SAFETY

For each item numbered, check one box only.

Item #	Description	DECISION		Repairs Required
		Yes, PASS	No, FAIL	
8.1	ACCESS TO UNIT Can the unit be entered without having to go through another unit?			
8.2	EXITS Is there an acceptable fire exit from this building that is not blocked?			
8.3	EVIDENCE OF INFESTATION Is the unit free from rats or severe infestation by mice or vermin?			
8.4	GARBAGE AND DEBRIS Is the unit free from heavy accumulation of garbage or debris inside and outside?			
8.5	REFUSE DISPOSAL Are there adequate covered facilities for temporary storage and disposal of food wastes, and are they approved by a local agency?			
8.6	INTERIOR STAIRS AND COMMON HALLS Are interior stairs and common halls free from hazards to the occupant because of loose, broken or missing steps on stairways, absent or insecure railings; inadequate lighting, or other hazards?			
8.7	OTHER INTERIOR HAZARDS Is the interior of the unit free from any other hazards not specifically identified previously?			
8.8	ELEVATORS Where local practice requires, do all elevators have a current inspection certificate? If local practice does not require this, are they working and safe?			
8.9	INTERIOR AIR QUALITY Is the unit free from abnormally high levels of air pollution from vehicular exhaust, sewer gas, fuel gas, dust, or other pollutants?			
8.10	SITE AND NEIGHBORHOOD CONDITIONS Are the site and immediate neighborhood free from conditions, which would seriously and continuously endanger the health or safety of the residents?			

8. GENERAL HEALTH AND SAFETY**For each item numbered, check one box only.**

8.11	LEAD PAINT: OWNER CERTIFICATION If the owner of the unit is required to treat or cover any interior or exterior surfaces, has the certification of compliance been obtained? If the owner was not required to treat surfaces, check "Not Applicable."			
8.12	OTHER			
8.13	OTHER			

Notes: (Give Item #)

APPENDIX F
FIRST TIME HOME BUYER PROGRAM APPLICATION CHECKLIST

All applications must be typed or printed neatly. All forms should be filled out completely. Make sure applications are signed, and notarized, where required. **Incomplete applications will not be accepted.** All items must be included in initial submittal - faxes will not be accepted for the Reservation Phase. Reservations that are missing any required items or contain white-out will not be processed and will be returned to the Lender.

The FTHB Program uses a three-phase process: reservation, request for funding, and closing. The items required for each phase are as follows:

FTHB Reservation. The following items are required in order to reserve funds for a specific borrower. FTHB Reservations are accepted on a first come, first served basis. EDA will accept a maximum of two applications per lender branch, per day. The FTHB Administrator will review the following items according to the FTHB Manual guidelines and respond to any reservation request within ten (10) working days.

- Cover Letter letter indicating mortgage company name and address, contact person, phone and fax numbers, email address, name of applicant, location (address) of home and any other information regarding the loan terms and/or homebuyers.
- First Time Home Buyer Assistance Reservation (FTHB-1)
- Certification of Applicant (FTHB-2)
- Homeownership Notice to Sellers and Disclosure of Information on Lead-Based Paint and Lead-Based Paint Hazards (FTHB-3)
- FTHB Program Financing Worksheet (FTHB-4)
- Income Affidavit (FTHB-5) – (if applicable)

In addition to these forms, please submit these non-county forms:

- Copy of Signed Sales Agreement, including all counter offers and Transfer Disclosure Statements
- Copy of Escrow Instructions
- Copy of Complete Preliminary Report
- Copy of Fully Completed and Signed Loan Application
- Copy of Home Inspection for existing homes (if applicable)
- Copy of the Good Faith Estimate closing form
- Copy of Standard Flood Hazard Determination (FEMA Form 81-93) or copy of FEMA website determination.
- Last three (3) years of federal tax returns
PLEASE NOTE: For each year of tax returns submitted the statement “This is a true and exact copy of the tax returns submitted to the IRS” must be added to each tax return with the applicant’s wet signature next to the statement.

APPENDIX G

FIRST TIME HOME BUYER RESERVATION FORMS

- Cover Letter letter indicating mortgage company name and address, contact person, phone and fax numbers, name of applicant and location (address) of home.
- First Time Home Buyer Assistance Reservation (FTHB-1)
- Certification of Applicant (FTHB-2)
- Homeownership Notice to Sellers and Disclosure of Information on Lead-Based Paint and Lead-Based Paint Hazards (FTHB-3)
- FTHB Program Financing Worksheet (FTHB-4)
- Income Affidavit (FTHB-5) – (if applicable)

In addition to these forms, please submit these non-county forms:

- Copy of Signed Sales Agreement, including all counter offers and Transfer Disclosure Statements
- Copy of Escrow Instructions
- Copy of Complete Preliminary Report
- Copy of Fully Completed and Signed Loan Application
- Copy of Home Inspection for existing homes (if applicable)
- Copy of the Good Faith Estimate closing form
- Copy of Standard Flood Hazard Determination (FEMA Form 81-93) or copy of FEMA website determination.
- Last three (3) years of federal tax returns
PLEASE NOTE: For each year of tax returns submitted the statement “This is a true and exact copy of the tax returns submitted to the IRS” must be added to each tax return with the applicant’s wet signature next to the statement.

**RIVERSIDE COUNTY
FIRST TIME HOME BUYER PROGRAM (FTHB)**

**RESERVATION PHASE
COVER LETTER**

(Lenders should use this form or provide their own cover letter containing all of the following information)

Date Submitted: _____

Lender Submitting FTHB Reservation: _____

Contact Person: _____

Address: _____

Telephone: _____

FAX Number: _____

E-mail Address: _____

Name(s) of FTHB Applicant(s): _____

Address and of Home Being Purchased: _____

(Street Number, Street, City and Zip Code):

Special Comments or Notes: _____

**Riverside County
Economic Development Agency
1325 Spruce Street, Suite 400
Riverside, CA 92507
800.909.0079**

First Time Home Buyer Downpayment Assistance Program

Reservation

Lender _____

Lender Address _____

Lender Telephone Number _____

Authorized Lender Representative _____

We are processing a mortgage loan application for the below listed applicant(s). Our preliminary review indicates that this household meets the eligibility for First Time Home Buyer Assistance as set forth in the Program Guidelines of the Economic Development Agency of Riverside County. Attached is a **copy** of the **escrow instructions**.

Please reserve Down Payment Assistance and Closing Cost Assistance funds for the following applicant(s):

Name of Applicant(s) _____

Current Address _____

Applicant's Telephone Number _____

Address of Property Being Purchased _____

City _____

Zip Code _____

APN Number _____

Purchase Price \$ _____

Estimated First Mortgage \$ _____

Gross Annual Household Income \$ _____

\$ _____ Down-Payment Assistance Requested
(Cannot exceed 20% of the purchase price)

\$ _____ Closing Cost Assistance Requested

\$ _____ Total Amount of down-payment Assistance and Closing Cost Assistance
Requested (Cannot exceed \$75,000)

Yes No Is applicant applying for the Riverside County Mortgage
Credit Certificate Program?

Yes No Is the applicant a participant in the Riverside County
Housing Authority Family Self Sufficient (FSS)
Program?

Property being purchased is located in the City Limits: Yes No Unincorporated

Type of property being purchased: Single Family Detached Planned Unit Development
 Condominium Manufactured Home
(New Resale)

Number of Bedrooms: _____ Number of Bathrooms: _____

In-ground Pool/Spa Yes No

Newly Constructed Yes No

If yes, date of issuance of occupancy permit: _____

If no, Year Constructed: _____

Status of Prior Home Ownership:

First Time Home Buyer Last Date of Home Ownership: _____

Applicant Information		
(For Statistical Purposes Only)		Marital Status: _____
	Married	<input type="checkbox"/>
	Single	<input type="checkbox"/>
	Divorced	<input type="checkbox"/>
Age of applicant(s):		Family Size _____
(Please use the letter "H" to signify head of household, and the letter "X" for each family member)		
_____ Under 20	_____ 36-40	Head of Household: _____
_____ 20-25	_____ 41-50	Male <input type="checkbox"/>
_____ 26-30	_____ 51-60	Female <input type="checkbox"/>
_____ 31-35	_____ Over 61	
Hispanic: <input type="checkbox"/> Yes <input type="checkbox"/> No		
Race: <input type="checkbox"/> Black or African American <input type="checkbox"/> White <input type="checkbox"/> Asian		
<input type="checkbox"/> Native Hawaiian/Pacific Islander		
<input type="checkbox"/> American Indian/Alaskan Native and White		
<input type="checkbox"/> Asian and White		
<input type="checkbox"/> Black/African American and White		
<input type="checkbox"/> American Indian/Alaskan Native and Black/African American		
<input type="checkbox"/> American Indian or Alaskan Native		
<input type="checkbox"/> Other		

Date: _____ Authorized Lender Signature _____

Printed Authorized Lender Name _____

Title _____

Address _____

Telephone (_____) _____

Email address: _____

**Riverside County
Economic Development Agency
1325 Spruce Street, Suite 400
Riverside, CA 92507
800.909.0079**

Certification of Applicant

- 1) The undersigned, has applied for First Time Home Buyer Assistance from the Riverside County Economic Development Agency, hereinafter referred to as EDA, in conjunction with the First Time Home Buyer (FTHB) Program, and hereby acknowledges and understands the following:
 - a) The FTHB Program is to be used in conjunction with a mortgage loan for the purchase of a single-family residence, which is required to be used as your principal residence within sixty (60) days after the closing of the mortgage loan. The home shall not be used as a business or as a vacation (second) home.
 - b) The decision to grant the first mortgage loan is completely within the discretion of the mortgage lender to whom you have applied. The EDA makes no decision in regard to the approval of any first mortgage loan.
 - c) The decision to grant First Time Home Buyer Assistance is within the sole discretion of the EDA, and is dependent upon your application meeting all requirements of the EDA's First Time Home Buyer Assistance Program, as well as the availability of funds.
 - d) The decision of which home to buy is within the sole discretion of the buyer and the buyer understands that First Time Home Buyer Assistance is not limited to specific homes. The buyer has performed their own investigation of the home market, and has independently selected a home to purchase.
 - e) The buyers shall satisfy themselves as to the condition of the home prior to closing escrow. The buyer shall confirm that requested repairs are complete prior to close of escrow, and that all systems are operating properly. EDA shall not be responsible for any repairs to the home at any time.
 - f) The buyers understand that they shall attend an 8 hour Home Buyer Education Class as soon as possible in the purchase process and that First Time Home Buyer Assistance shall not be approved until the buyers attend this class. To schedule a class, call Fair Housing at 1-800-655-1812 or Neighborhood Housing Service at 951-300-1757, or in the Desert, Rancho Housing Alliance at 760-391-5883 and ask for a first time home buyer appointment.

2) Listed below are the names of all persons who intend to reside in the residence and include the income of all adults age 18 and older:

Name	Relation to Head of Household	Age	Social Security Number	Employer/ Source of Income	Annual Income
_____	_____	_____	_____	_____	\$ _____
_____	_____	_____	_____	_____	\$ _____
_____	_____	_____	_____	_____	\$ _____
_____	_____	_____	_____	_____	\$ _____
_____	_____	_____	_____	_____	\$ _____
_____	_____	_____	_____	_____	\$ _____
_____	_____	_____	_____	_____	\$ _____
TOTAL:					\$ _____

You certify that your total household gross annual income is \$ _____ as listed above and that the number of family members is _____ as listed above.

3) You certify that you have not had a previous ownership interest in a principal residence during the last three (3) years. First Time Home Buyer Assistance will not be granted if you have had a previous ownership interest in a principal residence during the last three (3) years. A displaced homemaker, a single parent, and owners of manufactured homes (not fixed to a permanent foundation) are not required to meet the definition of a “First Time Home Buyer”. In connection with the requirement listed above, you will be required to submit copies of your previous three (3) years federal income tax returns, and if unavailable, you will cooperate with the lender to submit alternative documentation acceptable to the lender and the EDA.

- 4) You certify that you have insufficient funds available to pay for all estimated non-recurring closing costs and fees in connection with the home purchase, and you have provided to the lender all required information to enable lender to determine your total income from assets and your available funds to pay for closing costs.
- 5) You acknowledge that a material misstatement **negligently** made in any statement by you in connection with an application for First Time Home Buyer Assistance will constitute a violation of law punishable by a fine; and a material misstatement **fraudulently** made by you will constitute a violation of law punishable by a fine and a revocation of the First Time Home Buyer Assistance, in addition to any criminal penalty imposed by law.
- 6) By affixing your signature to this document, you acknowledge that you have read and understand all of the elements as indicated, and give your consent to proceed with the application for First Time Home Buyer Assistance through the EDA.

Date: _____

Signature of Applicant _____

Printed Name _____

Signature of Applicant _____

Printed Name _____

Signature of Applicant _____

Printed Name _____

Signature of Applicant _____

Printed Name _____

Name of Participating Lender _____

Signature of Authorized Lender Representative _____

Printed Name _____

Title _____

PLEASE SUBMIT ORIGINAL TO EDA AND GIVE THE BORROWERS A COPY OF THIS FORM

**Riverside County
Economic Development Agency
1325 Spruce Street, Suite 400
Riverside, CA 92507
800.909.0079**

HOMEOWNERSHIP NOTICE TO SELLERS

Name of Seller(s)

Name of Buyer(s)

Name of Seller(s)

Name of Buyer(s)

Name of Seller(s)

Name of Buyer(s)

Before a binding sales contract may be executed between the Seller(s) and the Buyer(s), as listed above, the parties warrant that the following is true:

Seller's Disclosure:

- 1) Seller(s) has/have been advised that the property is being purchased with Federal assistance.
- 2) Seller(s) is/are voluntarily selling the property.
- 3) Property is not being taken by eminent domain. Further, the prospective home buyer does not have the power of eminent domain and, therefore, will not acquire the property if negotiations fail to result in an amicable agreement.
- 4) Seller(s) has/have received notice of the estimated fair market value of the property.
- 5) Seller(s) has/have been advised that the Buyer(s) will apply to the Riverside County First Time Home Buyer (FTHB) Program for financial assistance in purchasing the Property, and that said assistance is subject to both the Buyer(s) and the Property qualifying for the FTHB. Property must be in standard condition and ready for occupancy upon close of escrow, as determined by the FTHB Program.
- 6) Property is presently (check one): Occupied by Seller
 - Occupied by Buyer
 - Occupied by Tenant
 - Never Previously Occupied
 - Vacant – Last Date Occupied: _____

Disclosure of Information on Lead-Based Paint and Lead-Based Paint Hazards for Properties Constructed before 1978. Answer and complete the following questions regardless of the age of the property being purchased.

5) Seller(s) Lead Based Paint Disclosure (Please initial): _____

(a) Presence of lead-based paint and/or lead-based paint hazards (check one below):

- Is present in the property to be purchased (Please explain).
- Seller has no knowledge of lead-based paint and/or lead-based paint hazards in the property to purchased.

(b) Records and reports available to the seller (check one below):

- Seller has provided the Buyer with all available records and/or reports pertaining to lead-based paint and/or lead-based paint hazards in the property to be purchased (list all documents below):
- Seller has no reports or records pertaining to lead-based paint and/or lead-based paint hazards in the property to be purchased.

(c) Seller understands and acknowledges that the responsibility of any paint stabilization (treatment of defective paint) and/or lead hazard control is solely by mutual agreement between the Seller and Buyer. At a minimum, paint stabilization is removal of the defective paint and repainting of the surface using Safe Work Practices described in 24CFR 35.1350 and may be performed by a licensed painting contractor.

6) Buyer's Lead Based Paint Acknowledgement: _____

(a) Lead Warning Statement. Every purchaser of any interest in residential real property on which a residential dwelling was built prior to 1978 is notified that such property may present exposure to lead from lead-based paint that may place young children at risk of developing lead poisoning. Lead poisoning in young children may produce permanent neurological damage, including learning disabilities, reduced intelligence quotient, behavioral problems, and impaired memory. Lead poisoning also poses a particular risk to pregnant women. The seller of any interest in residential real property is required to provide the buyer with any information on lead-based paint hazards from risk assessments or inspections in the seller's possession and notify the buyer of any known lead-based paint hazards.

(b) Visual Assessment for Lead Based Paint Compliance. In each unit receiving HOME down payment assistance through the First Time Home Buyer Program, all intact and non-intact interior and exterior surfaces must be inspected for presence of defective paint, i.e. cracking, scaling, chipping, peeling, or loose paint. This visual assessment will be required in addition to the Home Inspection Report at the Request for Funding

phase. Where defective paint is found, it must be treated to eliminate immediate hazards. At a minimum, treatment is removal of the defective paint and repainting of the surface.

Buyer's Lead Based Paint Acknowledgment (Please initial): _____

- (d) Buyer has received copies of all information listed above in (b) above, if applicable.
- (e) Buyer will receive the pamphlet *Protect Your Family from Lead in Your Home* (available at www.epa.gov/lead/pubs/leadprot.htm) upon verification of eligibility for the First Time Home Buyer Program and prior to close of escrow.

(f) Buyer has (check one below):

- Exercised a 10-day option (or mutually agreed upon period) to request a risk assessment (\$300) or lead inspection/testing (\$400) conducted by a Risk Assessor certified under a State program authorized by the Environmental Protection Agency or for the presence of lead-based paint and/or lead based paint hazards at the Buyer's expense; or
- Waived the opportunity to request a risk assessment or inspection for the presence of lead-based paint and/or lead-based paint hazards.

(g) Buyer understands and acknowledges that the responsibility of any paint stabilization (treatment of defective paint) and/or lead hazard control is solely by mutual agreement between the Seller and Buyer. At a minimum, paint stabilization is removal of the defective paint and repainting of the surface using Safe Work Practices described in 24 CFR 35.1350 and may be performed by a licensed painting contractor.

7) Counterparts:

This notice may be signed by the different parties hereto in counterparts, each of which shall be an original but all of which together shall constitute one and the same notice.

I, _____ the Seller(s), certify that I / we have reviewed this notice and agree to the above conditions regarding the selling of my/our property located at _____

(Address)

to the above- noted buyers who are participating in the Riverside County First Time Home Buyer Assistance Program.

* Signature of Seller - Corporate Representative (if applicable)

Date

* (attach a copy of the Corporate Resolution, if seller is a corporation)

_____ Signature of Seller	_____ Date	_____ Signature of Buyer	_____ Date
_____ Signature of Seller	_____ Date	_____ Signature of Buyer	_____ Date
_____ Signature of Seller	_____ Date	_____ Signature of Buyer	_____ Date
_____ Signature of Seller	_____ Date	_____ Signature of Buyer	_____ Date
_____ Signature of Seller's Real Estate Agent		_____ Date	

THIS NOTICE MUST BE ATTACHED TO THE PURCHASE AGREEMENT AND EXECUTED PRIOR TO OR CONCURRENT WITH SELLERS ACCEPTANCE OF PURCHASE OFFER. FAILURE TO DO SO WILL RESULT IN BUYERS DISQUALIFICATION FROM THE RIVERSIDE COUNTY FIRST TIME HOME BUYER ASSISTANCE PROGRAM.

**Riverside County
Economic Development Agency
1325 Spruce Street, Ste 400
Riverside, CA 92507
800-909-0079
First Time Home Buyer Program**

FINANCING WORKSHEET

Please see page 90-92 to review an example of the
Financing Worksheet (FTHB-4)

**Riverside County
Economic Development Agency
1325 Spruce Street, Suite 400
Riverside, CA 92507
800.909.0079**

Income Affidavit

1. I (We) hereby certify that I (we) was (were) not required by law to file a Federal Income Tax Return for the following year(s) _____ for the reason(s) stated below:

- NO INCOME: _____

2. I (We) acknowledge and understand that this Affidavit will be relied upon for purposes of determining my (our) eligibility for Down Payment and Closing Cost Assistance. I (We) acknowledge that a material misstatement negligently made in any statement by me (us) in connection with an application for Down Payment and Closing Cost Assistance will constitute a federal violation punishable by a fine; and a material misstatement fraudulently made in any statement by me (us) in connection with an application for Down Payment Assistance will constitute a federal violation punishable by a fine and repayment of all Assistance received, which will be in addition to any criminal penalty imposed by law.

3. In addition, I (we) hereby acknowledge and understand that any false pretense, including false statement or representation, or the fraudulent use of any instrument, facility, article or other valuable thing or service pursuant to participation in any Riverside County program is punishable by imprisonment or by a fine.

Signature of applicant	Printed Name	Date
Signature of applicant	Printed Name	Date
Signature of applicant	Printed Name	Date

APPENDIX H

FIRST TIME HOME BUYER PROGRAM REQUEST FOR FUNDING FORMS

- Cover Letter
- True and Correct copy of FNMA Summary Form 1008, **OR** True and Correct copy of FHA Mortgage Credit Analysis Worksheet, Form 92900-WS
- Copy of Certificate of Completion of Home Buyer Education Class
- Written Proof of items listed in Home Inspection or Purchase Agreement completed prior to occupancy have been completed
- Copy of Appraisal establishing property value
- Outstanding items noted in written Funding Reservation letter
- Written request from escrow officer for deposit of FTHB funds (wire instructions must be submitted in a font size 10 or larger and include the bank name, bank address, ABA/routing number, account number, escrow/title number, and client vesting)
- Certificate of Occupancy for new homes

NOTE: These documents will be drawn by EDA and delivered to escrow for the borrower to sign. The following attached documents are provided as samples for informational purposes only.

Disclosure Statement

Promissory Note.

Subordinate Deed of Trust

Itemization of Amount Financed

Lead-Based Paint Hazard Notice

Escrow Officer Checklist

(to be initialed and signed by Escrow Officer)

**RIVERSIDE COUNTY
FIRST TIME HOME BUYER PROGRAM**

**REQUEST FOR FUNDING PHASE
COVER LETTER**

(Lenders should use this form or provide their own cover letter containing all of the following information)

Date Submitted: _____

FTHB Code Number (from Reservation Letter): _____

Lender Submitting FTHB Reservation: _____

Contact Person: _____

Address: _____

Telephone: _____

FAX Number: _____

Name(s) of FTHB Applicant(s): _____

Address and of Home Being Purchased
(Street Number, Street, City and Zip Code): _____

Special Comments or Notes: _____

**County of Riverside
1325 Spruce Street, Ste. 400
Riverside, CA 92507
800-909-0079
First Time Home Buyer Assistance Program**

Disclosure Statement

In consideration of funding provided by the County of Riverside to assist in the purchase of the single family residence located at: {INSERT FULL ADDRESS OF HOME BEING PURCHASED} the undersigned acknowledges acceptance and understanding of this program and hereby agrees to the following terms and conditions hereon.

The County of Riverside, hereby reserves a right of first refusal concerning the property identified above. This right will remain in force during the Affordability Period, which is 15 years from the date escrow closes. This right will give the County of Riverside the opportunity to participate in the transfer, sale, lease or any disposition of the subject property, including the refinancing or incurring of any additional debt which is to be secured by the subject property. When the note is paid (or prepaid), any restriction on the sale of the home is released.

By signing this document you agree to occupy the property as your principal residence and should you choose to sell the property within the Affordability Period, the sale will be restricted to certain other purchasers meeting income requirements as established by HUD and the County of Riverside. You agree not to rent or lease any part or whole of the subject property. You further agree to contact the County of Riverside in writing by certified mail and receive written permission prior to the sale, refinancing, or any transfer of the subject property during this Affordability Period.

Upon notification to the County of Riverside of your intent to sell, the County of Riverside reserves the right to inspect the property and to determine whether any housing code violations exist. The original borrower prior to sale must remedy housing code violations or the estimated costs for repairs will be deducted from the proceeds of the sale.

County of Riverside funds invested in the First Time Home Buyer Assistance Program, and which are secured, will require no monthly payments during the contract term. In the event that the property is sold prior to the fulfillment of the contract term, all County of Riverside funds will be paid out of the sale proceeds.

Insurance: Buyer will purchase Title insurance for the property, which will include the County of Riverside as “co-insured.” Buyer will purchase home warranty insurance for a minimum period of one year. Buyer shall maintain property insurance and flood insurance, if required, listing the County of Riverside as co-insured, for the term of the assistance.

Affordability Period. It is intended that the above referenced property will remain as an affordable home for a prescribed length of time, and, in the event that the property is sold during this time period or used for purposes other than your personal

NOTICE: This Promissory Note requires repayment of the principal sum if certain events occur.

PROMISSORY NOTE

The effective date of this note is:

_____,(year) _____ Riverside, California

INSERT BORROWERS FULL ADDRESS (Property Address)

BORROWER PROMISE TO REPAY

FOR VALUE RECEIVED, the undersigned, {INSERT BORROWERS FULL NAME}, {INSERT VESTING}, hereafter called "Borrower," hereby jointly and severally promise to pay to COUNTY OF RIVERSIDE, a public body, hereafter called "Lender," or to Lender's order, the sum total of \$ INSERT EDA AMOUNT, secured by a Subordinate Deed of Trust, at such place as Lender may designate, in lawful money of the United States of America as hereafter set forth.

1) **DEFINITIONS.** The following definitions shall apply throughout this Note:

- a) Property. The real property described in Exhibit A attached to this Note and made a part hereof.
- b) Sale or Transfer. Any sale, transfer, lease, cash-out refinance or family trusts transfer of any part of the Property will permit Lender to exercise a due-on-sale clause.
- c) Fair Return of Investment. The actual down payment amount, all principal payment amount and the demonstrated / documentable costs of any major property improvement costs paid by the Borrower.
- d) Deferred Loan Amount. Principal Sum of the Promissory Note.
- e) Promissory Note. Herein referred to as "Note."
- f) Senior Lien Holder. Actual holder of First Deed of Trust is herein referred to as the "Senior Lien Holder."

TERMS

1) **INTEREST.** This Note does not bear interest.

- 2) **TIME OF PAYMENT.** This Note shall be due and payable in full on the date of any Sale or Transfer that occurs after the date of execution of this Promissory Note. Any non-sale transfer will require that an appraiser who is a member of the American Institute of Real Estate Appraisers or any such equivalent designation establish the fair market value of the Property at the time of transfer.
- 3) **AMOUNT OF PAYMENT.** If and when this Note becomes due pursuant to Section 2 above, Borrower shall pay to Lender the outstanding Deferred Loan Amount. Borrower shall be entitled to a fair return of investment prior to the repayment of the Deferred Loan Amount.
- 4) **PREPAYMENT.** Borrower shall have the right at any time to repay this Note. In the event of prepayment, the amount payable in full by Borrower shall be the entire Deferred Loan Amount and any other unsecured amounts owing.
- 5) **ASSUMABILITY.** This Note is assumable if the subsequent purchaser of the real property is an eligible low-income household as specified under the terms and conditions of the County of Riverside's First Time Home Buyer Assistance Program and has received prior approval from the Lender.
- 6) **SECURITY.** A Subordinate Deed of Trust secures this Note.
- 7) **DEFAULT UNDER DEED OF TRUST.** Notwithstanding any other provisions of this Note, if default occurs in any of the covenants or agreements contained in the Deed of Trust securing this Note, this Note shall immediately become due and payable in full at the option of Lender. In the event Lender exercises such option, the amount due and payable shall be the Deferred Loan Amount. Failure by Lender to exercise its option to accelerate in the event of a default shall not constitute waiver of the right to exercise such option in the event of the same or any other default.
- 8) **JOINT AND SEVERAL.** The undersigned, if more than one, shall be jointly and severally liable hereunder.
- 9) **ATTORNEYS' FEES.** If any default is made hereunder, Borrower further promises to pay reasonable attorneys' fees and costs and expenses incurred by the Lender in

connection with any such default or any other action or other proceeding brought to enforce any of the provisions of this Note. The Lender's right to such fees shall not be limited to or by its representation by staff counsel, and such representation shall be valued at customary and reasonable rates for private sector legal services.

10) **TIME.** Time is of the essence herein.

11) **AMENDMENTS.** This Note may not be modified or amended except by an instrument in writing expressing such intention executed by the parties sought to be bound thereby, which writing must be so firmly attached to this Promissory Note so as to become a permanent part thereof.

12) **SEVERABILITY.** The covenants of this Promissory Note are several. Invalidation of any covenant or any part thereof by law, judgment, or court order shall not affect any other covenant.

13) **PLACE OF REPAYMENT.** Borrower will make payment of all amounts due to Lender under this Note to Lender at 1325 SPRUCE STREET, STE. 400, RIVERSIDE, CALIFORNIA 92507 or such other address as Lender may designate in writing to Borrower.

14) **BORROWER'S WAIVERS.** Borrower waives any rights to require the Lender to do certain things. Those things are: (A) to demand payment of amounts due (known as "presentment"); (B) to give notice that amounts due have not been paid (known as "notice of dishonor"); and (C) to obtain an official certification of nonpayment (known as a "protest").

15) **GIVING OF NOTICES.** Any notice that must be given to Borrower under this Note will be given by delivering it or by mailing it by certified mail addressed to Borrower at any Property Address above. Any notice that must be given to the Lender under this Note will be given by mailing it certified mail to the Lender at the address stated in Section 12 above.

16) **LOAN AUTHORITY.** The loan evidenced by this Note is being made pursuant to the HOME Investment Partnership Program and the regulations issued thereunder.

(Title II, the Cranston-Gonzales National Affordable Housing Act, Public Law No. 101-625, 104 Stat. 4079 (1990), 24 CFR Part 92.)

- a) **Use of HOME Funds** - To provide down payment and closing cost assistance to ensure that affordable housing is created.
- b) **Affordability Period** - Time that the Lender is required to recapture the HOME funds based upon the amount of funds provided. The affordability period for this Note is fifteen (15) years from the date of close of escrow. The final maturity date on which this note is forgiven, even if the home has not been sold, is fifteen (15) years from the effective date of this note.
- c) **Project Requirements** - The down payment assistance complies with all requirements in that the amount provided by the Lender does not exceed the maximum per-unit subsidy amount established by HUD, that the initial purchase price does not exceed 95% of the median purchase price as established by HUD for the Lender and that the Seller has received the required Uniform Relocation Notice.
- d) **Housing Quality Standards** - The housing unit that is purchased is inspected by the Lender and meets the physical standards that assure that the housing is free from all health and safety defects at the time of purchase.
- e) **Disbursement Request** - No funds shall be provided until such time as they are needed for the payment of eligible costs, which are the actual down payment amount plus closing costs.
- f) **Enforcement of this Agreement (Note)** - The means for the enforcement of the terms and conditions shall be the recordation of a Subordinate Deed of Trust, which will place a lien against the Property that has been assisted.
- g) **Duration of this Agreement (Note)** - This Note is in effect for **AT LEAST** the period of affordability as noted above. The final maturity date on which it is due (or forgiven), even if the home has not been sold is .

17) **SUBORDINATION** The indebtedness evidences by this Note, and any other financial obligations which may be imposed by the Lender are subordinate to the indebtedness evidenced by a Promissory Note payable to a Senior Lender, which Note is secured by the First Deed of Trust on the Property.

BY SIGNING BELOW, THE BORROWER ACCEPT AND AGREE TO THE TERMS CONTAINED IN THIS PROMISSORY NOTE.

INSERT BORROWERS FULL NAME

DATE

EXHIBIT "A"

LEGAL DESCRIPTION OF PROPERTY

LEGAL DESCRIPTION:

{INSERT LEGAL DESCRIPTION}

**WHEN RECORDED MAIL TO
County of Riverside
1325 SPRUCE STREET, STE. 400
RIVERSIDE, CA 92507**

Loan Number: FILE NUMBER

Attention: DS name

EXEMPT RECORDING FEE CODE 6103

Loan Number: FT-02-0

SUBORDINATE DEED OF TRUST

THIS SUBORDINATE DEED OF TRUST (“Security Instrument”) is made this ___ day of _____, _____, among the Trustor(s), {INSERT BORROWERS FULL NAME}, {INSERT VESTING} (herein “Borrower”), RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY (herein “Trustee”), and the Beneficiary, who is the County of Riverside, a public agency (herein “Lender”).

BORROWER, in consideration of the indebtedness herein recited and the trust herein created, irrevocably grants and conveys to Trustee, in trust, with the power of sale, the following described property located in the County of Riverside, State of California:

LEGAL DESCRIPTION:
{INSERT LEGAL DESCRIPTION}

which has the address of {INSERT BORROWERS FULL ADDRESS} (Herein “Property Address”).

TOGETHER with all the improvements now or hereafter erected on the property, and all easements, rights, appurtenances and rents (subject however to the rights and authorities given herein to Lender to collect and apply such rents), all of which shall be deemed to be and remain a part of the property covered by this Security Instrument; and all of the foregoing, together with said property (or the leasehold estate if this Security Instrument is on a leasehold) are hereinafter referred to as the “Property.”

TO SECURE to Lender the repayment of the indebtedness evidenced by Borrower’s Promissory Note dated _____ and extensions and renewals thereof (herein “Note”), in the principal sum of U.S. \${INSERT EDA AMOUNT} advanced in accordance and herewith to protect the security of this Security Instrument; and the performance of the covenants and agreements of Borrower herein contained. The loan evidenced by the Promissory Note and secured by this Security Instrument is being made pursuant to the HOME Investment Partnership Program and the regulations issued there under.

In addition to the Loan, the Borrower obtained a Deed of Trust loan (The “First Deed of Trust Loan”) from {INSERT LENDERS NAME AND FULL ADDRESS} (the “Senior Lien Holder”), which loan is secured by First Deed of Trust lien on the Property.

Borrower covenants that Borrower is lawfully seized of the estate hereby conveyed and has the right to grant and convey the Property, and except for the First Deed of Trust and other encumbrances of record acceptable to the Senior Lien Holder, that

the Property is unencumbered. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to encumbrances of record.

UNIFORM COVENANTS. Borrower and Lender covenant and agree as follows:

- 1) **Payment of Principal and Interest.** Borrower shall promptly pay when due the principal indebtedness evidenced by the Promissory Note.
- 2) **Funds for Taxes and Insurance.**
 - a) Subject to applicable law, Borrower shall pay to the Senior Lien Holder a sum (herein "Funds") equal to (a) yearly taxes and assessments (including condominium and planned unit development assessments, if any) which may attain priority over this Security Instrument, and ground rents on the Property, if any; (b) yearly leasehold payments or ground rents on the Property, if any; (c) yearly premium installments for hazard insurance; (d) yearly premium installments for mortgage insurance, if any, that are reasonably estimated initially and from time to time by the Senior Lien Holder on the basis of assessments and bills and reasonable estimates thereof. If there is no Senior Lien Holder, Borrower is to make all payments for taxes and insurance to the Lender. Borrower shall not be obligated to make such payments to the holder of a prior mortgage or Deed of Trust if such holder is an institutional Lender. Said payments shall be made on the first day of each month commencing on the date of first payment.
 - b) If Borrower pays Funds to Lender, the Funds shall be held in an institution the deposits or accounts of which are insured or guaranteed by a federal or state agency. Lender shall apply the Funds to pay said taxes, assessments, insurance premiums and ground rents. Lender may not charge for so holding and applying the Funds, analyzing said account or verifying and compiling said assessments and bills, unless Lender pays Borrower interest on the Funds and applicable law permits Lender to make such a charge. Borrower and Lender may agree in writing at the time of execution of this Security Instrument that interest to be paid, Lender shall not be paid to Borrower, and unless such agreement is made or applicable law requires such interest to be paid, Lender

shall not be required to pay Borrower any interest or earnings on the Funds. Lender shall give to Borrower, without charge, an annual accounting of the Funds showing credits and debits to the Funds and the purpose for which each debit to the Funds was made. The Funds are pledged as additional security for the sums secured by this Security Instrument.

- c) If the amount of the Funds held by Lender, together with the future monthly installments of Funds payable prior to the due dates of taxes, assessments, insurance premiums and ground rents exceed the amount required to pay said taxes, assessments, insurance premiums and ground rents as they fall due, such excess shall be, at Borrower's option, either promptly repaid to Borrower or credited to Borrower on monthly installments of Funds. If the amount of the Funds held by Lender shall not be sufficient to pay taxes, assessments, insurance premiums and ground rents as they fall due, Borrower shall pay to Lender any amount necessary to make up the deficiency in one or more payments as Lender may require.
 - d) Upon payment in full of all sums secured by this Security Instrument, Lender shall promptly refund to Borrower any Funds held by Lender. If the Property is sold or the Property is otherwise acquired by Lender, Lender shall apply, no later than immediately prior to the sale of the Property or its acquisition by Lender, any Funds held by Lender at the time of application as a credit against the sums secured by this Security Instrument.
- 3) **Prior Mortgages and Deeds of Trust; Charges; Liens.** Borrower shall perform all of Borrower's obligations under any mortgage, Deed of Trust or other security agreement with a lien which has priority over this Deed of Trust, including Borrower's covenants to make payments when due. Borrower shall pay or cause to be paid all taxes, assessments and other charges, fines and impositions attributable to the Property, which may attain a priority over this Security Instrument and leasehold payments or ground rents, if any.

4) **Subordination.**

- a) Lender and Borrower acknowledge and agree that this Security Instrument is subject and subordinate in all respects to the liens, terms, covenants and conditions of the First Deed of Trust and to all advances heretofore made pursuant to the First Deed of Trust including all sums advanced for the purpose of (a) protecting or further securing the lien of the First Deed of Trust, curing defaults by the Borrower under the First Deed of Trust or for any other purpose expressly permitted by the First Deed of Trust or (b) constructing, renovating, repairing, furnishing, fixtures or equipping the Property. The terms and provisions of the First Deed of Trust are paramount and controlling, and they supersede any other terms and provisions herein conflict therewith. In the event of a foreclosure of the First Deed of Trust, any other provisions in any other collateral agreement restricting the use of the Property to low or moderate income households or otherwise restricting the Borrower's ability to sell the Property shall have no further force or effect on subsequent owners or purchasers of the Property, any person, including his/her successors or assignees (other than the Borrower or a related entity of the Borrower), receiving title to the Property through a foreclosure or deed in lieu of foreclosure of the First Deed of Trust shall receive title to the Property free and clear from such restrictions. The restrictions will automatically terminate if title to the mortgaged property is transferred by foreclosure or deed-in-lieu of foreclosure, or if the mortgage is assigned to the Secretary of the United States Department of Housing and Urban Development (HUD).
- b) Further, if the Senior Lien Holder acquires title to the Property pursuant to a deed in lieu of foreclosure, the lien of the Security Instrument shall automatically terminate upon the Senior Lien Holder's acquisition of title, provided that (1) the Lender has been given written notice of a default under the First Deed of Trust and (2) the Lender shall not have cured the default under the First Deed of Trust, or diligently pursued curing the default as

determined by the Senior Lien Holder, within the 60-day period provided in such notice sent to the Lender.

5) **Hazard Insurance.**

- a) Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss by fire, hazards included within the term “extended coverage,” and such other hazards, including floods or flooding. This insurance shall be maintained in the amounts and for the periods that the Senior Lien Holder and/or the Lender may require and in such amounts and for such periods as the Senior Lien Holder and the Lender may require.
- b) The insurance carrier providing the insurance shall be chosen by Borrower. All insurance policies and renewals thereof shall include a standard mortgage clause in favor of and in a form acceptable to Lender. Lender shall have the right to hold the policies and renewals thereof, subject to the terms of any mortgage, deed of trust or other security agreement with a lien, which has priority over this Security Instrument. All original policies of insurance required pursuant to the First Deed of Trust shall be held by the Senior Lien Holder; provided, however, Lender may be named as a loss payee as its interest may appear and may be named as an additional insured. If Lender requires, Borrower shall promptly give to Lender copies of all receipts of paid premiums and renewal notices. In the event of loss, Borrower shall give prompt notice to the insurance carrier, the Senior Lien Holder and the Lender. Lender may make proof of loss if not made promptly by the Senior Lien Holder or the Borrower.
- c) Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, if the restoration or repair is economically feasible, or Lender’s security would be lessened, the insurance proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with any excess paid to Borrower.

- d) If the Property is abandoned by Borrower, or if the Borrower fails to respond to Lender within 30 days from the date notice is mailed by Lender to Borrower that the insurance carrier offers to settle a claim for insurance benefits, Lender is authorized to collect and apply the insurance proceeds at Lender's option either to restoration or repair of the Property or to the sums secured by this Security Instrument.
 - e) Notwithstanding the above, the Lender's rights to collect and apply the insurance proceeds hereunder shall be subject and subordinate to the rights of the Senior Lien Holder to collect and apply such proceeds in accordance with the First Deed of Trust.
- 6) **Occupancy, Preservation and Maintenance and Protection of the Property.** Borrower shall occupy, establish, and use the Property as the Borrower's principal residence and shall keep the Property in good repair and shall not commit waste or permit impairment or deterioration of the Property and shall comply with the provisions of any lease if this Deed of Trust is on a leasehold.
- 7) **Protection of Lender's Security.**
- a) If Borrower fails to perform the covenants and agreements contained in this Security Instrument, or if any legal action or proceeding is commenced which materially affects Lender's interest in the Property, then Lender, at Lender's option, upon notice to Borrower, may make such appearances, disburse such sums, including reasonable attorneys' fees, and take such action as is necessary to protect Lender's interest. Lender's actions may include paying any sums secured by a lien, which has priority over this Security Instrument.
 - b) Any amounts disbursed by Lender pursuant to this paragraph 7, with interest thereon, at the Note rate, shall become additional indebtedness of Borrower secured by this Security Instrument. Unless Borrower and Lender agree to other terms of payment, such amounts shall be payable upon notice from Lender to Borrower requesting payment thereof. Nothing contained in this

paragraph 7 shall require Lender to incur any expense or take any action hereunder.

c) Prior to taking any actions, Lender shall notify the Senior Lien Holder and shall provide the Senior Lien Holder with opportunity to cure a default hereunder advanced by the Senior Lien Holder and shall be secured by the First Deed of Trust. The Senior Lien Holder shall have the right to exercise all rights and remedies under the First Deed of Trust.

8) **Mortgage Insurance.** If Lender requires mortgage insurance as a condition of making the loan secured by this Security Instrument, Borrower shall pay the premiums required to maintain the mortgage insurance in effect.

9) **Inspection.** Lender or its agent may make or cause to be made reasonable entries upon and inspections of the Property, provided that Lender shall give Borrower notice prior to any such inspection specifying reasonable cause therefore related to Lender's interest in the Property.

10) **Condemnation.**

a) The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of the Property, or part thereof, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender, subject to the terms of any mortgage, deed of trust or other security agreement with a lien which has priority over this Deed of Trust.

b) In the event of a total taking of this Property, the proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with any excess paid to the Borrower.

11) **Borrower Not Released; Forbearance by Lender Not a Waiver.** Extension of the time for payment or modification of the sums secured by this Security Instrument granted by Lender to any successor in interest of Borrower shall not operate to release, in any manner, the liability of the original Borrower and Borrower's successors in interest. Lender shall not be required to commence proceedings against such successor or refuse to extend time for payment or otherwise modify

the sums secured by this Security Instrument by reason of any demand made by the original Borrower and Borrower's successors in interest. Any forbearance by Lender in exercising any right or remedy hereunder, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any such right or remedy.

12) **Successors and Assigns Bound; Joint and Several Liability; Co-signers.** The covenants and agreements herein contained shall bind, and the rights hereunder shall inure to, the respective successors and assigns of Lender and Borrower. All covenants and agreements of Borrower shall be joint and several.

13) **Notices.** Except for any notice required under applicable law to be given in another manner, (a) any notice to Borrower provided for in this Security Instrument shall be given by delivering it or by mailing such notice by certified mail addressed to Borrower at the Property Address or at such other address as Borrower may designate by notice to Lender as provided herein, and (b) any notice to Lender shall be given by certified mail to Lender's address stated herein. Any notice provided for in this Security Instrument shall have been given to Borrower or Lender when given in the manner designated herein. Any notices required to be given to the Senior Lien Holder shall be given by first class mail to the following address:

LENDER NAME
LENDER ADDRESS
LENDER CITY, STATE, ZIP CODE

or such other address the Senior Lien Holder designates by notice to the Borrower.

14) **Governing Law; Severability.** The state and local laws applicable to this Security Instrument shall be the laws of the jurisdiction in which the Property is located. The foregoing sentence shall not limit the applicability of federal law to this Security Instrument. In the event that any provision or clause of this Security Instrument or the Promissory Note conflicts with applicable law, such conflict shall not affect other provisions of this Security Instrument or the Promissory Note which can be given effect without the conflicting provision, and to this end the provisions of this Security Instrument and the Promissory Note are declared to be

several. As used herein, “costs,” “expenses” and “attorneys’ fees” include all sums to the extent not prohibited by applicable law or limited herein.

15) **Borrower’s Copy.** Borrower shall be furnished a conformed copy of the Promissory Note and Security Instrument at the time of execution or after recordation hereof.

16) **Transfer of the Property or a Beneficial Interest in Borrower.**

a) Except for a conveyance to the Trustee under the First Deed of Trust, if all or any part of the Property or any interest in it is sold or transferred without Lender’s prior written consent, Lender may, at its option, require immediate payment in full of all sums secured by this Security Instrument. The Lender shall not exercise this option if federal law as of the date of this Security Instrument prohibits the exercise.

b) If the Lender exercises this option, Lender shall give Borrower and the Senior Lien Holder prior written notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is delivered or mailed within which the Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

17) **Borrower’s Right to Reinstate.**

a) If Borrower meets certain conditions, Borrower shall have the right to have enforcement of this Security Instrument discontinued at any time prior to the earlier of: (a) 5 days before the sale of the Property pursuant to any power of sale contained in this Security Instrument; or (b) entry of a judgment enforcing this Security Instrument. Those conditions are that Borrower: (a) pays Lender all sums which then would be due under this Security Instrument and the Promissory Note as if no acceleration had occurred; (b) cures any default of any other covenants or agreements; (c) pays all expenses incurred in enforcing this Security Instrument, including, but not limited to reasonable attorneys’ fees;

and (d) takes such action as Lender may reasonably require to assure that the lien of this Security Instrument, Lender's rights in the Property and Borrower's obligation to pay the sums secured by this Security Instrument shall continue unchanged. Upon reinstatement by Borrower, this Security Instrument and the obligations secured hereby shall remain fully effective as if no acceleration had occurred. However, this right to reinstate shall not apply in the case of acceleration under Section 16.

- b) Notwithstanding, Lender's right to invoke any remedies hereunder, as provided in Section 7 above, Lender agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the Senior Lien Holder at least 60 days prior written notice.
- c) The Borrower and the Lender agree that whenever the Promissory Note or this Security Instrument gives the Lender the right to approve or consent with respect to any matter affecting the Property or otherwise, and a right of approval or consent with regard to the same matter is also granted to the Senior Lien Holder pursuant to the First Deed of Trust, the Senior Lien Holder's approval or consent or failure to approve or consent, as the case may be, shall be binding on the Borrower and the Lender.

18) Sale of Note; Change of Loan Servicer. The Promissory Note or a partial interest in the Promissory Note (together with this Security Instrument) may be sold one or more times without prior notice to the Borrower. A sale may result in a change in the entity (known as the "Loan Servicer") that may collect monthly payments under the Promissory Note and Security Instrument. There also may be one or more changes of the Loan Servicer unrelated to a sale of the Promissory Note. If there is a change in the Loan Servicer, Borrower will be given written notice of the change in accordance with Section 13 above and applicable law. The notice will state the name and address of the new Loan Servicer and the address to which

payments, if any, should be made. The notice will also contain any other information required by applicable law.

19) **No Assignment.** Until the loan secured by the First Deed of Trust has been satisfied in full, Lender and the Borrower agree that the Promissory Note and the Security Instrument will not be assigned without the Senior Lien Holder's prior written consent.

20) **Hazardous Substances.**

a) Borrower shall not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances on or in the Property. Borrower shall not allow anyone else to do anything affecting the Property that is in violation of any Environmental Law. The preceding two sentences shall not apply to the presence, use, or storage on the Property of small quantities of Hazardous Substances that are generally recognized to be appropriate to normal residential uses and to maintenance of the Property.

b) Borrower shall promptly give Lender written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any hazardous substance or Environmental Law of which Borrower has actual knowledge. If Borrower learns, or is notified by any governmental or regulatory authority, that any removal or other remediation of any hazardous substance affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law. Prior to taking any such remedial action, however, Borrower shall notify the Senior Lien Holder that such remedial action is necessary and shall obtain the Senior Lien Holder's prior written consent for such remedial action.

c) As used in this Section, "Hazardous Substances" are those substances defined as toxic or hazardous substances by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products,

toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials.

- d) As used in this Section, "Environmental Law" means federal laws and the laws of the jurisdiction where the Property is located that relate to health, safety and environmental protection.

NON-UNIFORM COVENANTS. Borrower and Lender further covenant and agree as follows:

21) Acceleration; Remedies.

- a) Upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, including the covenants to pay when due any sums secured by this Security Instrument, Lender prior to acceleration shall give notice to Borrower as provided in Section 13 hereof specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, not less than 30 days from the date of notice is mailed to Borrower (and with respect to the Senior Lien Holder, 60 days from the date the notice is given to the Senior Lien Holder), by which such breach must be cured; and (4) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Security Instrument and sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to bring a court action to assert the nonexistence of a default or any other defense of Borrower to acceleration and sale. If the breach is not cured on or before the date specified in the notice, and the Senior Lien Holder has not exercised its right to cure the breach, then Lender, at Lender's option, may declare all of the sums secured by this Security Instrument to be immediately due and payable without further demand and may invoke the power of sale and acceleration of the sums secured by this Security Instrument and sale of the Property.
- b) Notwithstanding Lender's right to invoke any remedies hereunder, the Lender agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it

has given the Senior Lien Holder at least 60 days prior written notice. Lender shall be entitled to collect all expenses incurred in pursuing the remedies, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

- c) If Lender invokes the power of sale, Lender shall execute or cause Trustee to execute a written notice of the occurrence of an event of default and of Lender's election to cause the Property to be sold and shall cause such notice to be recorded in each county in which the Property or some part thereof is located. Lender or Trustee shall mail copies of such notice in the manner prescribed by applicable law. Trustee shall give public notice of sale to the persons and in the manner prescribed by applicable law. After the lapse of such time as may be required by applicable law, Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder at the time and place and under the terms designated in the notice of sale in one or more parcels and in such order as Trustee may determine. Trustee may postpone sale of all or any parcel of the Property by public announcement at the time and place of any previously scheduled sale. Lender or Lender's designee may purchase the Property at any sale.
- d) Trustee shall deliver to the purchaser Trustee's deed conveying the Property so sold without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order: (a) to all reasonable costs and expenses of the sale, including, but not limited to, reasonable Trustee's and attorneys' fees and costs of title evidence; (b) to all sums secured by this Security Instrument; and (c) the excess, if any, to the person or persons legally entitled thereto.

22) Assignment of Rents; Appointment of Receiver; Lender in Possession.

- a) As additional security hereunder, Borrower hereby assigns to Lender the rents of the Property, provided that Borrower shall, prior to acceleration or

abandonment of the Property, have the right to collect and retain such rents as they become due and payable.

b) Upon acceleration hereof or abandonment of the Property, Lender, in person, by agent or by judicially-appointed receiver shall be entitled to enter upon, take possession of and manage the Property and to collect the rents of the Property, including those past due. All rents collected by Lender or the receiver shall be applied first to premiums on receiver's bonds and reasonable attorneys' fees, and then to the sums secured by this Security Instrument. Lender and the receiver shall be eligible to account only for those rents actually received.

23) **Reconveyances.** Upon payment of all sums secured by this Security Instrument, Lender shall request Trustee to reconvey the Property and shall surrender this Security Instrument and all notes evidencing indebtedness secured by this Security Instrument to the Trustee. Trustee shall reconvey the Property without warranty and without charge to the person or persons legally entitled thereto. Such person or persons shall pay all costs of recordation, if any.

24) **Substitute Trustee.** Lender, at Lender's option, may from time to time appoint a successor trustee to any Trustee appointed hereunder by an instrument executed and acknowledged by Lender and recorded in the office of the recorder of the county where the Property is located. The instrument shall contain the name of the original Lender, Trustee and Borrower, the book and page where this instrument is recorded and the name and address of the successor trustee. The successor trustee shall, without conveyance of the Property, succeed to all the title, powers and duties conferred upon the Trustee herein and by applicable law. This procedure for substitution of Trustee shall govern to the exclusion of all other provisions for substitution.

25) **Modification of First Deed of Trust Loan Documents.** The Lender consents to any agreement or arrangement in which the Senior Lien Holder waives, postpones,

extends, reduces or modifies any provisions of the First Deed of Trust documents,
including provisions requiring the payment of money.
BY SIGNING BELOW, the Borrower accepts and agrees to the terms and covenants
contained in this Security Instrument.

BORROWER

{INSERT BORROWERS FULL NAME} DATE

Signatures must be notarized.

REQUEST FOR RECONVEYANCE
TO TRUSTEE:

The undersigned is the holder of the Note or Notes secured by this Security Instrument (Deed of Trust). Said Promissory Note or Notes, together with all other indebtedness secured by this Security Instrument (Deed of Trust), have been paid in full. You are hereby directed to cancel said Promissory Note or Notes and this Security Instrument (Deed of Trust), which are delivered hereby, and to reconvey, without warranty, all the estate now held by you under this Deed of Trust to the person or persons legally entitled thereto.

Dated: _____

**County of Riverside
APPENDIX I**

FIRST TIME HOME BUYER/ADDI PROGRAM CLOSING PHASE FORMS

Escrow Submits the following:

First Time Home Buyer Assistance Program Disclosure Statement.

FTHB Promissory Note.

FTHB Subordinate Deed of Trust. (certified copy)

Request for Notice (certified copy)

FTHB Itemization of Amount Financed

Lead-Based Paint Notice for homes constructed before 1978.

Escrow Officer Checklist (to be initialed and signed by the Escrow Officer)

Proof of Property Insurance

Estimated HUD-1

Covenant Agreement (if buyer received closing costs)

NOTE:

Escrow submits a copy of the Final HUD-1 statement within ten (10) working days after closing.

Title Company provides EDA with a copy of the Title Insurance Policy insuring the County's Interest in the property

**APPENDIX I
RIVERSIDE COUNTY
FIRST TIME HOME BUYER PROGRAM**

**CLOSING PHASE
COVER LETTER**

(Lenders should use this form or provide their own cover letter containing all of the following information)

Date Submitted: _____

FTHB Code Number (from Reservation Letter): _____

Lender Submitting FTHB Reservation: _____

Contact Person: _____

Address: _____

Telephone: _____

FAX Number: _____

Name(s) of FTHB Applicant(s): _____

Address of Home Being Purchased
(Street Number, Street, City and Zip Code): _____

Date of Mortgage Closing: _____

Special Comments or Notes: _____

APPENDIX J

ADDI CLOSING COST ASSISTANCE PROGRAM

1) INTRODUCTION

a) Purpose

- i) EDA established the County of Riverside American Dream Downpayment Initiative (ADDI) Program to assist eligible first-time homebuyers in the purchase of a home in Riverside County. The primary objective of EDA's ADDI Program is to provide closing cost assistance to low and very low-income first time homebuyers. In order to maximize the use of resources available to home seekers, the ADDI program also targets families who take part in the Riverside County Economic Development Agency's (EDA) First Time Home Buyer Program (FTHB), with preference given to eligible participants in the Housing Authority of the County of Riverside (Housing Authority) Family Self Sufficiency (FSS) Program. In combination, the ADDI/FTHB/FSS partnership will enable eligible families to realize their dream of becoming homeowners by providing them with various financial and other resources.
- ii) Assistance may be provided for non-recurring closing costs, which will include a required home buyer education course, associated with the purchase of a home. The amount of assistance available per household depends upon the buyer's qualifications, the price of the home and the amount of non-recurring closing costs. Assistance will be limited to the necessary non-recurring closing costs, as authorized by the County of Riverside, which shall include the costs associated with a required home buyer education course, and will have a maximum of \$2,000 per household. Note that the combined ADDI closing cost assistance and FTHB Downpayment assistance shall, under no circumstance, be less than \$1,500 nor be greater than \$75,000.
- iii) Assistance is provided in the form of a grant, in which twenty percent (20%) of the amount of the grant will be absolved after each complete period of 360 days of continued occupancy of the residence as the primary home. The borrower will have no obligation to repay the ADDI closing cost assistance five (5) years from the closing of the FTHB loan. The homeowner shall be required to sign a Grant Agreement requiring the low income homeowner to occupy the residence as his principal residence for a minimum period of fifteen (15) years.
- iv) As a FTHB Program participant receiving downpayment assistance, the borrower will be subject to the terms and conditions of the FTHB Program through the end of the FTHB Affordability Period or until the downpayment assistance has been repaid. All applicants participating in the FTHB/ADDI programs are required to attend an eight (8) hour certified Home Buyer Education course.

b) Applicable Federal Requirements and Funding Availability

- i) The American Dream Downpayment Initiative (ADDI) was signed into law by President Bush on December 16, 2003 under the American Dream Downpayment Act (Public Law 108-186) (ADDI statute). Federal funds made available under the ADDI statute have been allocated to eligible HOME program participating jurisdictions (PJ) to assist low-income families become first-time homebuyers.
- ii) This program is subject to ADDI regulations, other applicable federal and state requirements and local objectives. The intent of these EDA policies is to regulate the ADDI Program in a manner that is compatible with the FTHB Program, which is funded primarily with HOME program funds. EDA is responsible for complying with all changes in applicable regulations pertaining to this program.
- iii) Reservations of funds for closing cost assistance will be made until available funds are exhausted.

2) **GENERAL ELIGIBILITY REQUIREMENTS**

a) **Eligible Borrowers**

- i) In order to be eligible for assistance, the borrower must be an eligible applicant for the FTHB Downpayment Assistance Program, and must be requesting a minimum of \$1,500 in downpayment assistance.
- ii) Housing Authority of the County of Riverside Family Self Sufficiency (FSS) participants applying for FTHB downpayment assistance will receive preference for available closing cost assistance as described below in Section 3 -Processing Procedures.

b) **Eligible Closing Costs**

- i) Funds may be requested to pay the following non-recurring closing costs:

- (1) Loan Origination Fee
- (2) Title Insurance Fees
- (3) Escrow Fees
- (4) Inspection Report Fee
- (5) Homebuyer Education Training Fee
- (6) Underwriting Fees

c) **Maximum and Minimum Assistance**

- i) Requested assistance is limited to the amount necessary to pay for eligible non-recurring closing costs, with a maximum amount of assistance of \$2,000.

3) **PROCESSING PROCEDURES**

Requests for closing cost assistance will be processed on a first-come, first-served basis, in chronological order as received from participating lenders, with the following exception: EDA will maintain a running balance of funds available, and once funds are exhausted, EDA will stop accepting applications and notify the participating lenders that the Program is out of funds. It is solely the participating lender's responsibility to verify the availability of funds prior to loan submitted. The application procedures are similar to the application procedures established for the FTHB program.

APPENDIX J-1

RECORDING REQUESTED BY:
Riverside County Economic Development Agency

AFTER RECORDATION, MAIL TO:
Riverside County Economic Development Agency
Attn: First Time Home Buyer Program
1325 Spruce Street, Ste. 400
Riverside, CA 92507

COVENANT AGREEMENT

**County of Riverside
American Dream Down Payment Initiative
Agreement for the Use of Grant Funds**

This Agreement is of this ____ day of _____, 2008 entered by and between _____ (“HOMEOWNER”) and the County of Riverside.

In consideration of grant funding provided by the County of Riverside, by and through the United States Department of Housing and Urban Development (HUD) and an allocation to the County of Riverside of American Dream Down Payment Initiative (ADDI) funds, to assist with the fees and costs associated with the closing of escrow in the purchase of the single family residence located at: <SUBJECT PROPERTY ADDRESS> the undersigned acknowledges acceptance and understanding of this program and hereby agrees to the following terms and conditions hereon.

- I. By signing this agreement you acknowledge that the above referenced ADDI funds were provided in connection with Riverside County First Time Home Buyer Down Payment Assistance (FTHB) program, which program is funded with an allocation of HOME Investment Partnership Act Funds allocated to the County of Riverside by and through HUD.

- II. By signing this agreement you agree to be bound to and comply with the requirements of the FTHB program and all documents signed with regard to receipt of FTHB funds, including, but not limited to, the requirement to occupy the residence purchased as your principal residence for a period of at least fifteen (15) years, which fifteen (15) year period is known as the “Affordability Period.”

- III. The County of Riverside, hereby reserves a right of first refusal concerning the property identified above. This right will remain in force during the Affordability Period, which is 15 years from the date escrow

closes. This right will give the County of Riverside the opportunity to participate in the transfer, sale, lease or any disposition of the subject property, including the refinancing or incurring of any additional debt which is to be secured by the subject property.

- IV. By signing this document you agree to occupy the property as your principal residence and should you choose to sell the property within the Affordability Period, the sale will be restricted to certain other purchasers meeting income requirements as established by HUD and the County of Riverside. You agree not to rent or lease any part or whole of the subject property. You further agree to contact the County of Riverside in writing by certified mail and receive written permission prior to the sale, refinancing, or any transfer of the subject property during this Affordability Period.

- V. Upon notification to the County of Riverside of your intent to sell, the County of Riverside reserves the right to inspect the property and to determine whether any housing code violations exist. The original borrower prior to sale must remedy housing code violations or the estimated costs for repairs will be deducted from the proceeds of the sale.

- VI. Riverside County ADDI Closing Cost Assistance funds are contributed in the form of a grant, in which twenty percent (20%) of the grant amount will be absolved after each complete period of 360 days of continued occupancy of the residence as the primary home and without title transfer or conveyance of the deed of trust, for a period of five (5) years from the closing of the FTHB loan until the grant amount is forgiven, with the express sole purpose of paying for non-recurring closing costs, as defined by the County of Riverside, in the purchase of the above referenced property.

- VII. By signing this agreement you agree to complete a Home Buyer Education and Training course. The course must be provided by a training consultant approved by HUD and the County of Riverside. The course must be a minimum of eight (8) hours in duration. The course must minimally include topics related to the home buying processing, the escrow process, the mortgage lending process, home maintenance and care, credit review and personal finance.

BY SIGNING BELOW, HOMEOWNER ACCEPTS AND AGREES TO THE TERMS CONTAINED

HEREIN

<CLIENT VESTING>

DATE

<CLIENT VESTING>

DATE