



City of El Monte

Homebuyer Assistance Program Policies & Procedures

City of El Monte
Community and Economic Development Department
Housing Division
11333 Valley Blvd.
El Monte, CA 91731



Adopted November 5, 2019

HOMEBUYER ASSISTANCE PROGRAM GUIDELINES

Table of Contents

Section I	Program Objectives
Section II	Eligible Activities
Section III	Ineligible Activities
Section IV	Homebuyer Applicant
Section V	Limitations of Homebuyer Assistance Program
Section VI	Property and Occupancy
Section VII	Federal Requirements
Section VIII	File Requirements
Section IX	Policy Modifications
Section X	Program Outreach and Marketing
Section XI	Monitoring

HOMEBUYER ASSISTANCE PROGRAM GUIDELINES

Section I - Program Objectives

The Homebuyer Assistance Program (the “Program”) is a housing program designed to assist low to moderate first time homebuyers with 50% of down payment assistance **OR** closing cost assistance (whichever is greater) to purchase a home within the city limits of El Monte.

The direct homeownership assistance eligible under HUD 570.201(n), allows Community Development Block Grant (“CDBG”) funding to:

- Provide up to 50 percent of required down payment; *or*
- Pay reasonable closing costs

For Veterans who have qualified for a VA loan, the City of El Monte will provide closing cost assistance.

Section II - Eligible Activities

The City of El Monte will use funds provided by the Department of Housing and Urban Development (“HUD”) Community Development Block Grant (CDBG) Program to provide eligible applicants funds to be used for closing costs **or** 50% down payment assistance.

Section III - Ineligible Activities

Homebuyer Assistance funds cannot be used for cash back, realtor’s commissions and/or buy down points.

Section IV - Homebuyer Applicant

A. Target Households

The Households served will be a first time homebuyer who has income at or below 80% of the area median income as determined by the Department of Housing and Urban Development (HUD), (24CFR, 92.2(9)) who will be purchasing a home within the city limits of El Monte.

The property to be acquired must be owner occupied.

B. Income Limits

Total household income cannot exceed 80% of the area median income as determined by HUD (24CFR, 92.2(9)). (Attachment A)

C. Application Process

1. Each applicant must submit an application with the City of El Monte Housing Division. Incomplete application packets will not be accepted.
 - All forms within the application packet must be completely filled out
 - All documents listed on the checklist below must be turned in:
 - 1) City of El Monte Homebuyer Assistance Program Application – completed and signed
 - 2) Real Estate Purchase Contract
 - 3) Appraisal Report
 - 4) Truth in Lending Disclosure Statement
 - 5) Lender Loan Pre-Approval and Underwriting Documents
 - 6) Signed copy of Uniform Residential Loan Application (1003)
 - 7) Good Faith Estimate
 - 8) Escrow Instructions
 - 9) Proof of Homeowners Insurance
 - 10) Credit Report
 - 11) Certificate of Completion of Homebuyer Education Workshop
 - 12) Proof of income for the past three (3) months for all household members over 18 years of age
 - 13) Pension and/or social security award letter
 - 14) Copy of checking and savings account for the last six (6) months for all household members over 18 years of age
 - 15) Last three (3) years Federal Tax returns for all household members over 18
 - 16) Divorce decree (if applicable)
 - 17) Bankruptcy documents (if applicable)
 - 18) Copies of Driver's License/State ID for all household members over 18 years of age
 - 19) Copies of Social Security cards for ALL household members
 - 20) Proof of U.S. Citizenship or resident alien status for ALL household members
 - 21) Race and Ethnic Data Reporting Form (OMB Approval No. 2502-0204)
2. Upon receipt of all the documents listed above, the Project Coordinator will need 15 business days to review and approve the

applicant funding and closing of the loan. If the applicant is not income eligible a denial letter will be prepared.

3. During the 15 business days the City's Project Coordinator will make an appointment with the realtor or lender to inspect the home to be purchased. The Home must be:
 - i. Decent, safe, sanitary and in good repair
 - ii. At a minimum, the housing must meet all applicable State and local housing quality standards and code requirements and comply with the City's Real Property Report Ordinance. A Certificate of Compliance is required to be obtained prior to the close of escrow.
4. During the 15 business days the applicant(s) will need to satisfactorily complete an eight (8) hour homebuyer educational workshop conducted by a HUD approved agency. **No online training will be accepted.** A Homebuyer Training Certificate will be accepted for up to one (1) year after the date of training.
5. If the home passes all inspections and the applicant completes the required approved Home Buyer Training, the closing documents will be processed and sent to Escrow for signing and recording. After copies of signed First Trust Deed, Second Trust Deed, Notice of Default, and original Promissory Note are received; the City of El Monte will process a check/wire to Title for closing to take place.
6. The escrow company is responsible for submitting the following documents to the City of El Monte following closing on the home:
 - i. Certified Final Settlement Statement
 - ii. Copy of Title Policy on first trust deed and second trust deed
7. The City of El Monte reserves the right to postpone a scheduled closing date due to the following:
 - Failed Real Property Inspection
 - Incomplete/missing paperwork
 - Scheduling conflicts
 - Falsification and/or alteration of documents
 - Processing time for check request is not sufficient
8. All files with no activity for six (6) months will be automatically closed. If the applicant is still interested in the Homebuyer Assistance Program, he/she must re-apply and re-submit all required paperwork .

D. Financing Requirements

The applicant must be able to qualify for a first mortgage loan. All co-applicants must be listed on the mortgage loan and on all applicant documents even if not a part of the household.

The City of El Monte will provide closing cost assistance (reasonable) required for households **OR** half (50%) of the down payment assistance required by the first loan lender (whichever is greater). The Program funds cannot be used for cash back, realtor's commissions, and /or buy down points.

1. Deed of Trust

The City of El Monte loan will be secured by a Deed of Trust which will secure position on title. The Deed of Trust, Notice of Default/Notice of Sale, and Promissory Note will be notarized, recorded and filed at the Los Angeles County Recorder's Office and a copy will be placed in the applicants file.

2. Breach of Contract

Upon occurrences of any of the below stated items, the City of El Monte and/or its assignee reserves the right to demand the loan due immediately if:

- Any actual or attempted transfer of Deed of Trust, whether voluntary or involuntary, including by operation of law, or upon death of the undersigned of certain real property used to secure this note pursuant to the Deed of Trust.
- Any change in title of the secured property without prior approval of the City of El Monte. These changes might be, but are not limited to: sale, lease, rent, or abandonment of property.
- The recipient no longer reside(s) at the secured property as its principal residency.

3. Payment

The City loan will have no monthly payments, but the loan would be due and payable under the following circumstances: 1) when the property is sold or transferred, refinanced with cash out; 2) a change in title occurs; 3) there is a default on the loan; or 4) when

failure to use the property as principal residence occurs. The loans will be forgiven after 15 years of continued owner occupancy.

For Veterans who have qualified for a VA loan and are low to moderate income, the Program would provide closing cost assistance as a loan. The City loan will have no monthly payments, but the loan would be due and payable under the following circumstances: 1) when the property is sold or transferred, refinanced with cash out; 2) a change in title occurs; 3) there is a default on the loan; or 4) when failure to use the property as principal residence occurs. The loan will be forgiven after 10 years of continued owner occupancy.

4. Subordination Agreement

The City of El Monte will only subordinate under hardship reasons. Hardship reasons include, but are not limited to:

- Job loss
- Income reduced
- Refinance will eliminate unreasonable fees and will lower housing payment
- Catastrophic events
- Drop in interest rate by one (1%) percent or more

To request the City of El Monte to subordinate, the homeowner must provide:

- i. Letter stating reasons for subordination
- ii. Subordination request form
- iii. Copy of payoff letter
- iv. Copy of mortgage statement showing principal balance and interest rate
- v. Loan Amount cannot exceed current principal balance plus reasonable fees
- vi. Drop in Interest rate by one (1%) percent or more fixed rate (NO ARMS's , buy downs, etc.)
- vii. Income Analysis (MCAW) worksheet
- viii. Uniform Residential Loan Application 1003

The borrower/lender will need to contact the City of El Monte for a Subordination packet. The homeowner also has the option to pay off the City of El Monte loan as part of the refinancing.

Section V – Limitations of Homebuyer Assistance Program

A. Availability of Funds

The Homebuyer Assistance Program fiscal year begins in July 1st of each year. Funds are processed and distributed on a first come, first serve basis and/or until there has been a depletion of funds.

B. Annual Income

The annual household income of applicants cannot exceed 80% of the area median income as determined by HUD. The annual gross income of the applicant's household shall be determined in accordance with the Code of Regulations 24 CFR 5.609 of the applicant's household (Attachment B)

Annual income is defined as the "gross" income of all household members 18 years of age or older.

Annual income includes, but is not limited to:

- The full amount before any payroll deduction of wages
- Salaries
- Social Security
- Overtime pay
- Commissions
- Fees
- Tips
- Bonuses
- Other compensation for personal services
- Net income from the operation of a business or profession
- Other income
- Interest from bank accounts
- Rental Income
- Profit from real estate sales
- Value of personal property

Section VI - Property and Occupancy

A. Geographic Boundaries

The City of El Monte Homebuyer Assistance loans are provided to income eligible applicants who are purchasing homes located within the city limits of El Monte.

B. Eligible Properties

Existing or newly constructed single-family or condominium/townhomes properties located within the City of El Monte are eligible. Only single-family homes with one (1) dwelling unit on a lot are eligible. Homes with two (2) or

more units on a lot are *not* eligible except for detached condominium homes. Mobile homes and manufactured homes are *not* eligible under the Program.

C. Inspections

The property must be inspected by the City of El Monte Building & Safety Division under the Real Property Report Program. A copy of the Property Report must be submitted along with a Certificate of Compliance. A Temporary Certificate of Compliance will *not* be accepted under the Homebuyer Assistance Program.

D. Occupancy Requirements

The property to be acquired must be owner-occupied. No overcrowding will be allowed. The maximum number of persons allowed in each home is two (2) persons per bedroom plus one (1). The table below shows the number of persons allowable by household unit size:

OCCUPANCY STANDARD

Bedroom Size	Max # of Persons
1	3
2	5
3	7
4	9

Section VII - Federal Requirements

A. Lead Disclosure

The City’s Project Coordinator will be responsible for discussing lead paint issues and providing the applicant with a “Protect Your Family From Lead in Your Home” booklet. The applicant will sign a form verifying they have received and discussed the lead information.

B. Fair Housing and Equal Opportunity

There shall be no discrimination on the basis of race, color, religion, sex, marital status, ancestry, or national origin. The Homebuyer Assistance Program will be implemented in conformity with Title VI of the Civil Rights Act of 1964 and the Fair Housing Act and implementing regulations. Fair housing will be furthered affirmatively and actions shall be taken to overcome the effects of any impediments to fair housing. It shall be ensured that all persons, including those qualified individuals with handicaps, have access to the Program.

The City of El Monte is an equal opportunity provider.

C. Conflict of Interest

No employee, agent, consultant, officer or elected official or appointed official of the CITY who exercises or have exercised any functions or responsibilities with respect to activities relating to this Program or who are in a position to participate in a decision-making process or gain inside information with regard to these activities may obtain a financial interest or financial benefit from this Program, or the proceeds from such activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one (1) year thereafter. Immediate family ties include (whether by blood, marriage, or adoption) the spouse, parent (including a stepparent, child (including a stepchild), brother, sister (including a stepbrother or stepsister), grandparent, grandchild, and in-laws of the employee, agent, consultant, officer, elected or appointed official of the CITY.

This policy shall apply to families of Lenders and the loan servicing agent.

D. Anti-Predatory Lending Policy

The City of El Monte is against predatory lending practices. The City complies with all applicable federal, state, and local predatory lending laws and other laws designed to prevent unfair or abusive lending practices. The City will not knowingly fund a Mortgage Loan which involves unfair and predatory lending practices, including but not limited to, lending without regard to borrower's ability to make payments on the mortgage; charging prepayment penalties for paying off a loan; including in loan documents mandatory arbitration with respect to dispute resolution. The City will further comply with measures issued by HUD to prevent predatory lending, particularly with respect to low and very low income homebuyers.

Section VIII - File Requirements

The City's Project Coordinator will keep in the files, at minimum, all required documents which verify compliance with policy requirements such as, but not limited to:

- City of El Monte Homebuyer Assistance Program Application – completed and signed
- Real Estate Purchase Contract
- Appraisal Report
- Truth in Lending Disclosure Statement
- Lender Loan Pre-Approval and Underwriting Documents
- Signed copy of Uniform Residential Loan Application (1003)
- Good Faith Estimate

- Escrow Instructions
- Proof of Homeowners Insurance
- Credit Report
- Certificate of Completion of Homebuyer Education Workshop
- Proof of income (Income Eligibility Form)
- Last three (3) years Federal Tax returns for all household members over 18 years of age
- Copies of Driver's License/State ID for all household members over 18 years of age
- Copies of Social Security cards for ALL household members
- Proof of U.S. Citizenship or resident alien status for ALL household members
- Race and Ethnic Data Reporting Form (OMB Approval No. 2502-0204)
- Final Loan Documents (Executed)
- Applicants/City correspondences

Section IX - Policy Modifications

The City of El Monte shall have the authority to make modifications to this policy as necessary for the continued implementation of the Homebuyer Assistance Program, including but not limited to: 1) policy revisions necessary to do a change in the design of the Homebuyer Assistance Program; and 2) policy changes necessary due to the revisions in the rules and regulations of CDBG monies.

Section X - Program Outreach and Marketing

All outreach efforts will be done in accordance with state and federal fair lending regulations to assure nondiscriminatory treatment, outreach and access to the Program. No person shall, on the grounds of age, ancestry, color, creed, physical or mental disability or handicap, marital or familial status, medical condition, national origin, race, religion, gender or sexual orientation be excluded, denied benefits or subjected to discrimination under the Program. The City will ensure that all persons, including those qualified individuals with handicaps have access to the Program.

- A. The Fair Housing Lender Logo will be placed on all outreach materials.
- B. The City will work closely with local real estate agents and primary lenders to explain the Program requirements for eligible housing units and homebuyers, and to review Program processes. Local real estate

agents and primary lenders will also be encouraged to have their costumers participate in the Program.

C. The City will place flyers and program information at Housing counter and City website

D. Education and information workshops will be conducted

Section XI – Monitoring

The Project Coordinator will review the Homebuyer Assistance Program files once a year to monitor continued home ownership compliance. An Annual Affidavit will be mailed out to Homeowners to submit verification of continued occupancy.