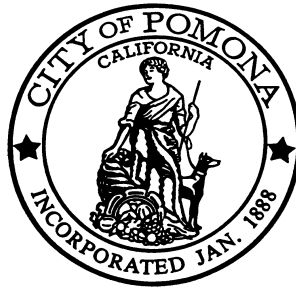


City of Pomona



First-Time Homebuyer Mortgage Assistance Program (MAP)



Operating Manual

Revised June 2024

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I. MAP PROGRAM OPERATING MANUAL

A. GENERAL DEFINITIONS

As used in this MAP Program Manual and in all MAP documents, unless the context requires otherwise, the following words and terms have the meanings set forth below:

ACQUISITION COST/PURCHASE PRICE: The cost of acquiring the residence, excluding usual and reasonable settlement or financing costs, and excluding the value of services performed by mortgagor in completing the acquisition of the residence. The value or sales price limit established by funding source is provided below:

- **HOME Program:** The acquisition cost/purchase price shall not exceed 95% of the Los Angeles County median purchase price in order to ensure that the assisted housing is modest and non-luxury. The City will utilize the 95% of the area median purchase price published annually by the Department of Housing and Urban Development for newly constructed and existing single-family housing units.
- **Permanent Local Housing Allocation Program (PLHA):** This shall follow the same threshold as the State CalHome Program, which shall not exceed 100% of the current median sales price of a single family home.
- **CalHome Program:** This shall not exceed 100% of the current median sales price of a single-family home in Los Angeles County based on the sales price published annually by HUD.

AFFIDAVIT: Means an affidavit filed in connection with the Program made under oath and subject to penalties of perjury.

APPLICANT: Any person, including all household members intending to or resulting in living in the assisted unit as principal residence, who applies for assistance under the MAP Program.

CITY: The City of Pomona, California.

ELIGIBLE APPLICANT: Any applicant meeting the criteria for an eligible borrower set forth in these Guidelines who is in the process of securing financing for the purchase of a Principal Residence.

ELIGIBLE DWELLING: Real property located in the City of Pomona, which includes: (1) A single-family residence designed as a residential unit for one household, (2) condominium, and (3) which meets the criteria set forth in the Program Requirements.

HOME: A single-family detached housing or condominium dwelling unit.

INCOME: The Part 5 definition of income will be used, as described in the "Technical Guide for Determining Income and Allowances for the HOME Program". In this regard, income is defined as the gross amount of income of all adult household members, including non-related family

members, that is anticipated to be received during the coming 12-month period. Income from assets will be included as income when the household assets exceed \$5,000.

LOAN: An extension of credit provided to an eligible applicant to finance the purchase of an eligible single-family detached dwelling, which also meets the City requirements set forth within this manual.

LOW-INCOME BUYER: Any family whose combined annual gross income is at or below 80% of the Los Angeles County area median income set by HUD for the HOME Program and by the State HCD for the CalHome Program, adjusted annually for family size.

MODERATE-INCOME BUYER: Any family whose combined annual gross income is at or below 120% of the Los Angeles County area median income set by State HCD, adjusted annually for family size. This income limit applies to the PLHA funded MAP Program.

MAP PROGRAM OR THE PROGRAM: The Mortgage Assistance Program (MAP) as established and determined by the City, pursuant to the rules and regulations included within this Program Manual.

NEW MORTGAGE LOAN: A new mortgage originated in conjunction with the MAP, a mortgage that has not been transferred or assumed.

OWNERSHIP INTEREST: Any of the following interests in residential real property:

1. Fee Simple Interest
2. Joint Tenancy
3. Tenancy in Common
4. Any other legal ownership interest in a residential, commercial, industrial, or vacation home.

Ownership does not include a remainder interest, a lease with or without an option to purchase, an expectancy to inherit an interest in a Principal Residence, or any interest acquired on the execution of the purchase contract.

PARTICIPATING LENDER: A financial institution, which is licensed to do business in the State, and has met and continues to meet and accept all of the requirements established by the City to participate as a Lender with the MAP Program.

PRINCIPAL RESIDENCE: A single-family house or condominium. The Applicant must occupy the unit as Principal residence each year.

PROHIBITED MORTGAGES: A mortgage financed by a qualified mortgage bond or a qualified veteran's mortgage bond. In addition, variable rate mortgages or any negative amortization, balloon payments or temporary interest only loans are not accepted.

RELATED PERSON: A "related person", as defined under the Internal Revenue Code and applicable regulations: siblings, spouses, ancestors and lineal descendants; or entities that are more than fifty percent (50%) owned by the applicant or any other related persons.

SINGLE-FAMILY AND OWNER OCCUPIED RESIDENCES: A single detached housing unit or a condominium unit exclusively owned and intended and used for occupancy by one household (versus a rental unit).

B. PURPOSE OF THE MAP OPERATING MANUAL

The purpose of this First-Time Homebuyer Mortgage Assistance Program (MAP) Operating Manual is to describe the program and set forth the roles of the City of Pomona ("City"), Participating Lender(s), and MAP applicants. This manual contains a description of the MAP Program requirements, policies and procedures. Also described are the borrower, purchase price and mortgage underwriting requirements as set forth by federal and state regulations. MAP processing forms are included as Exhibits to this document. This MAP manual may be updated or revised without prior notice.

This Manual is intended to serve as guide for applicants/first time homebuyers and lenders participating in the City of Pomona's First Time Homebuyer Mortgage Assistance Program.

C. PROGRAM SUMMARY

The MAP program makes available a limited number of deferred payment, no interest, equity appreciation second mortgages for low and moderate-income first time homebuyers who would not otherwise be able to purchase a property without the City's assistance. This Program is specifically designed to provide qualified families a silent second loan to bridge the gap between the first mortgage a buyer can qualify for and the cost to purchase an existing or newly constructed single-family home or condominium in Pomona. The amount of assistance available by funding source (depending on funding availability) is as follows:

HOME Program	up to \$100,000
PLHA Program	up to \$100,000
CalHome Program	up to \$ 58,000

The funding amount may include part of the down payment and closing cost. There are no monthly payments required on the loan. However, the loan and the City's equity share are due when the property is sold, refinanced with cash out, a change in title occurs, or at the maturity of the loan, as follows:

HOME Program:	New Construction	20 years
	Existing Home	15 years

PLHA Program	New Construction	20 years
	Existing Home	15 years
CalHome Program		30 years

A percentage of the City’s equity share (*only*) is forgiven each year the participant occupies the home as their principal residence. The principal must be repaid to the City.

D. CONFLICT OF INTEREST

No employee, agent, consultant, officer or elected official or appointed official of the CITY who exercise 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 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 also apply to families of Participating Lenders and the loan-servicing agent.

E. FAIR HOUSING POLICY

There shall be no discrimination on the basis of race, color, religion, sex, marital status, ancestry or national origin. MAP 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 MAP. Refer to “Attachment E”, Fair Housing Policy.

F. ANTI-PREDATORY LENDING POLICY

The City of Pomona 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 or by State HCD to prevent predatory lending, particularly with respect to low and very low income homebuyers.

II. PROGRAM REQUIREMENTS

A. APPLICANT ELIGIBILITY REQUIREMENTS

1. First Time Homebuyer:

The applicant must be a first time homebuyer. This is defined as an individual or individuals, or an individual and his or her spouse, who have not owned a home during the three-year period before the purchase of a home, except that the following individual or individuals may not be excluded from consideration as a first-time homebuyer under this definition:

- A displaced homemaker who, while a homemaker, owned a home with his or her spouse or resided in a home owned by the spouse. A displaced homemaker is an adult who has not, within the preceding two years, worked on a full-time basis as a member of the labor force for a consecutive twelve-month period and who has been unemployed or under-employed, experienced difficulty in obtaining or upgrading employment and worked primarily without remuneration to care for his or her home and family;
- A single parent who, while married, owned a home with his or her spouse or resided in a home owned by the spouse. A single parent is an individual who is unmarried or legally separated from a spouse and has one or more minor children for whom the individual has custody or joint custody or is pregnant; and
- An individual or individuals who owns or owned, as a principal residence during the three-year period before the purchase of a home with City assistance, a dwelling unit whose structure is:
 - (i) not permanently affixed to a permanent foundation in accordance with local or state regulations; or
 - (ii) not in compliance with state, local, or model building codes and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure.

Documentation Requirement. To show that the Applicant has not had ownership interest in a property during the prior three-year period, the following documentation must be submitted:

- a. 1040A, 1040EZ, or 1040 federal income tax returns for the three preceding years with all schedules that show no deductions for mortgage interest or real estate taxes for any property. These forms are to be submitted to the Lender. If the applicant has filed the 1040 Long Form and cannot produce an original copy of the signed tax returns, then the applicant can request a copy of the returns from the IRS by using the IRS Request Form 1046.

- b. If the Applicant has filed the short form 1040A or 1040EZ for the last three (3) years, completes and signs the required affidavits, but is unable to produce the signed returns, a letter from the IRS verifying the filing status of the applicant will be accepted. The letter should confirm that the Applicant filed the 1040A or 1040EZ for the years in question. The Applicant can request tax account information, which is available free of charge, from the Local IRS office. This information will be provided on IRS Letter form 1722 and will include: (1) name and social security number; (2) type of return filed; (3) marital status; (4) tax shown on return; (5) adjusted gross income; (6) taxable income; (7) self-employment tax; and (8) number of exemptions. If the address on the tax returns filed is different than the current address, the Applicant should also provide a letter (signed by all applicants) indicating that the previous returns had been filed at a different address.
- c. In the event the Applicant was not obligated to file Federal income tax returns for any of the preceding three (3) years, a completed and signed Income Tax Affidavit will be required in place of (a) or (b) above. The Income Tax Affidavit must be executed with documented proof of the reason for not filing taxes. The affidavit must also be accompanied by documented proof that the applicant was a renter during the specified period (i.e., notarized letter from the landlord or manager, canceled checks, or rent receipts).
- d. When a MAP application is submitted during the period between January 1st and April 15th and the applicant has not yet filed his/her federal income tax return for the preceding year with the IRS, the applicant may submit an affidavit stating that the applicant is not entitled to claim deductions for taxes or interest on indebtedness with respect to property constituting his/her Principal Residence for the preceding calendar year.

If the certified tax returns show a deduction for interest or taxes on a Principal Residence, or if certified tax returns are not obtained, the applicant will not be eligible for MAP assistance.

2. Income Requirement:

- a. Depending on funding source, the family's gross annual income cannot exceed 80% or 120% of the Los Angeles County's Area Median Income (Income Limits) adjusted by household size. The applicable income limits for FY 2024

b. by Program are:

**LOS ANGELES COUNTY
MAXIMUM ALLOWABLE ANNUAL INCOME
2024 INCOME LIMITS *(Effective July 2024)***

<i>No. of Person(s) in the Household</i>	<i>HOME * 80% of AMI</i>	<i>State HCD**</i>	
		<i>CALHOME 80% of AMI</i>	<i>PLHA 120% of AMI</i>
1	\$ 77,700	\$ 77,700	\$ 82,500
2	\$ 88,800	\$ 88,800	\$ 94,300
3	\$ 99,900	\$ 99,900	\$106,050
4	\$ 110,950	\$ 110,950	\$117,850
5	\$119,850	\$119,850	\$127,300
6	\$128,750	\$128,750	\$136,700
7	\$137,600	\$137,600	\$146,150
8	\$146,500	\$146,500	\$155,550

* As published by the Department of Housing and Urban Development

** As published by the State Department of Housing and Community Development

Note: Income limits are subject to change annually. Please contact the Housing Division staff for the most recent Income Limits.

c. The definition of income will be based on 24 CFR 5.609, otherwise known as Part 5 income definition. The Part 5 definition of income is the gross amount of income of all adult household members that is anticipated to be received during the coming 12-month period.

- Household members include all adult household members 18 years of age or older, including non-related family members, who are expected to live in the home as principal residence.

The income to be taken into account in determining gross income is income of the mortgagor(s) and any other person who is expected to both (1) live in the residence being financed and (2) to be secondarily liable on the mortgage. If the co-borrower, co-signer, or co-habitor meets both of the requirements in the sentence above, his/her income must be included in gross income calculations and must also be on title. Income of co-signers who will not be occupying the unit will not be used in qualifying the applicant and they must show proof of residency.

- Gross income includes the gross amount, before payroll deductions, of wages (including part-time), salaries, commissions, overtime pay, net rental income, fees, tips and bonuses; dividends and interest, including otherwise tax-exempt interest; alimony; child support; public assistance; Veterans Administration compensation;

etc.

Income from assets exceeding \$5,000 is included in the calculation of income. These include, but are not limited to, cash held in saving accounts, checking accounts, cash value of revocable trusts, equity in rental property or other capital investments, cash held in stocks, bonds, treasury bills, retirement, etc. It is important to note that the actual income generated by the asset is what counts, not the cash value of the asset.

- For those whose annual employment is less stable or does not conform to a 12-month schedule (such as seasonal laborers, teachers, etc.), the income and income documentation to be taken into consideration is the entire previous 12-month period.
- d. Certain students are not considered as qualifying income and are therefore excluded from participating in the MAP Program. Particularly, students that:
- Is enrolled in a higher institution;
 - Is under age 24;
 - Is not a veteran of the U.S. military;
 - Is not married;
 - Does not have a dependent child(ren);
 - Is not a person with disabilities;
 - Is not otherwise individually eligible, or has parents who, individually or jointly, are not eligible on the basis of income.

Please see Attachment B, "Determination of Gross Income" for additional guidance on the calculation of income.

Documentation Requirement. The source of all income must be documented through employment verification, paycheck stubs, and/or claimed for federal and state income tax purposes. Source documentation for claims of no income must also be provided through, among others, certification from previous employers that the household member is no longer employed in the company; letter of denial from unemployment benefit agencies that the household member is not receiving any type of benefits, or for full time students, a letter from school certifying that the student is enrolled in the school full time. Income or claims for receipt of no-income that cannot be verified will not be considered for income computation for the program.

Please see Exhibit D, "IRS Form 4506". Each member in the household must complete and submit this form.

- 3. Legal Status:** All applicant household members must provide proof of a valid Social Security number and must show proof of U.S. citizenship or resident alien status.

Documentation Requirement. Acceptable documents to show proof of citizenship are: birth certificate; Certificate of Naturalization; Certificate of Citizenship; Form FS-240 (Report of Birth Abroad of a US Citizen; valid unexpired passport initially issued for at least 5 years.

If the above documents are not available, the following may instead be provided: church record; school record; census record; or affidavits by 2 persons who were living at the time and who have personal knowledge of the event you are proving. (Please see Federal Register Vol. 62 No 221 or the Reno Guidance for details).

B. MAXIMUM PURCHASE PRICE REQUIREMENT

Depending on funding source, the purchase price cannot exceed 95% or 100% of the Los Angeles County median purchase price. For 2023, the maximum purchase price limits is provided below:

2023 MAXIMUM PURCHASE PRICE/AFTER REHAB VALUE LIMITS
Los Angeles County – Effective September 2024

Housing Type	HOME (95% of Median)	CALHOME & PLHA (100% of Median)
Existing Single Family	\$665,000	\$700,000
Newly Constructed Housing	\$665,000	\$638,210

Source: <https://www.hudexchange.info/resource/2312/home-maximum-purchase-price-after-rehab-value/>

The maximum property value is subject to change annually. Please refer to the link provided above for updates on the purchase price limits.

C. ELIGIBLE PROPERTIES/STANDARDS

1. Existing or newly constructed single-family or condominium properties located within the City of Pomona are eligible. Condominiums/townhouses are eligible at this time until further notice (please contact City staff for details). Only single-family homes with one dwelling unit on a lot are eligible. Homes with two or more units on a lot are *not* eligible except for condominium homes established under the Common Interest Development Act.

Prefabricated homes on a designated single-family lot, is eligible under this program. A manufactured home is eligible when:

- At the time of project completion, the manufactured housing must be connected to permanent utility hook-ups; and
- The manufactured housing must be located on land that is owned by the manufactured housing unit owner, or on land for which the manufactured housing unit owner has a

lease for a period at least equal to the applicable period of affordability. In this regard, manufactured housing on mobile home parks with one-year leases is *not* eligible under this program.

2. The property to be acquired must be owner-occupied. Tenant-occupied properties are not eligible for purchase through this program, unless that property has been vacant for a minimum of 90 days or 3 months prior to acceptance of an offer to purchase.
3. Housing must be decent, safe, sanitary and in good repair. At a minimum, the housing must meet all applicable State and local housing quality standards and code requirements. The City of Pomona follows the California Building Code. In addition, the housing must be free of any deficiencies identified in the Uniform Physical Condition Standards (UPCS) inspection. UPCS is an inspection protocol that is used to evaluate the condition of housing and include a more comprehensive list of inspectable items than Housing Quality Standards (HQS).

As a condition to funding, the City of Pomona will conduct an inspection of the property to ensure compliance with property standards requirement. **If the housing does not meet the abovementioned standards, or if major building violations exist such as illegal construction, illegal additions, garage conversions, or if health and safety hazards and UPCS deficiencies are found and not corrected prior to the close of escrow, the housing unit is not eligible and cannot be acquired under the Program. MAP assistance will therefore not be provided.**

- Lead Safe Regulations shall apply. If the home was constructed prior to 1978, the City shall provide the lead based paint notification pamphlet *“Protect Your Family from Lead In your Home”*, which the applicant must read, acknowledge receipt and understanding thereof, and return the signed acknowledgement form to the City. The City inspection will include inspection for defective surfaces. If defective paint surfaces are found, the City will require that these be abated prior to close of escrow.

Please see Attachment F, “Homebuyer Program Lead Compliance Checklist”. This checklist will be completed by City staff and included in the applicant’s file.

4. No overcrowding will be allowed. The maximum number of persons allowed in each home is two (2) persons per bedroom plus one. The table below show the number of persons allowable by household unit size:

OCCUPANCY STANDARD

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

D. UNDERWRITING CRITERIA

The underwriting criteria below aim to allow homebuyers to purchase homes that best match their financial abilities and lifestyle, and therefore sustain homeownership.

1. **Maximum Subsidy:**

The City of Pomona assistance can be used for down payment and closing costs. Loanable amount is a minimum of \$1,000, while the maximum amount of assistance by program is:

HOME: \$100,000 <i>(Low Income)</i>	CalHome: \$58,000 <i>(Low Income)</i>	PLHA: \$100,000 <i>(Moderate Income)</i>
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However, only the amount necessary to bridge the gap between the purchase price of the home and the loan amount the applicant can borrow shall be used.

Example:

Purchase Price:	\$449,600
Buyer Counterpart:	\$ 15,000
Bank Loan:	<u>\$281,600</u>
Gap Financing (City Loan):	\$153,000

PLHA:	\$100,000
HOME:	<u>53,000</u>

The example above shows the homebuyer requiring assistance from two funding sources. In these cases, the most stringent of the requirements between the 2 funding sources will apply.

- Income/Credit History:** The applicant shall have sufficient income and credit worthiness to qualify for primary financing. MAP loans are made available to applicants with fair to good credit. A credit score of less than 620 will not be accepted. A bankruptcy and/or a foreclosure that is less than 4 years old will automatically disqualify the applicant. On a case-by-case basis, the Housing Grants Supervisor may consider exceptions for extreme extenuating circumstances, including but not limited to divorce or death of a spouse. The City will request for a credit report (current within the last 6 months) or upon the applicant's authorization, pull a credit report, prior to approval to confirm credit worthiness.
- Debt-to-Income Ratios:** The front-end ratio (or total housing payment) is the total monthly mortgage payment (PITI- principal, interest, taxes and insurance) and HOA dues. The total is divided by the homebuyer's gross monthly income.

The back-end ratio (or total debt) is the total housing payment, plus the homebuyer's on-going debt obligations such as revolving credit, installment accounts, child support and alimony, car loans, etc., divided by the gross monthly income.

The City maximum front and back end ratios are provided below:

<u>Front-End Ratio:</u> HOME/CalHome/ PLHA Programs:	Not less than 28% and no more than 35%
<u>Back-end Ratio:</u>	No more than 42%

The primary lender conducts the analysis regarding borrower ability to repay the loan, which is submitted to the City. However, the City does not rely on the submission by the Lender, but verifies the calculation based on the aforementioned criteria.

On a case-by-case basis, the City may consider a higher qualifying back-end ratio when there are compensating factors. Some examples include: 1) the prospective buyer has successfully demonstrated that over a minimum 12-month period the ability to pay housing costs equal to or greater than the proposed monthly housing costs for the home to be purchased; (2) the prospective buyer is a limited user of credit and they show a history of being able to save money, etc.

- 4. Recurring Monthly Expenses/Residual Income:** Other substantial monthly living expenses will affect a borrower's ability to repay a mortgage. For example, fixed monthly living expenses such as utilities and transportation are essential expenses that reduce the amount of income available to the homebuyer for the payment of their mortgage. For low-income homebuyers whose available monthly income is lower than that of the average median income homebuyer, maximum loan-to-income and debt-to-income ratios alone are insufficient to ensure that residual income is sufficient to cover other necessary living expenses. When homebuyers are left with too little residual income after paying monthly recurring debt obligations for other essential living expenses, they are at higher risk to default on their mortgage payments.

In this regard, the City of Pomona will include monthly recurring expenses that substantially impact a household's income in its underwriting criteria. These are non-discretionary household or "needed" expenses that occurs monthly (as opposed to discretionary or "wants"). The City of Pomona will consider the following for inclusion in the monthly recurring expense:

- 4.1 Utility.** To determine the utility expense, the Pomona Housing Authority Utility Allowance schedule for single-family homes, which is updated annually, will be used. The utility allowance for 2021 is provided below:

2024 PHA UTILITY ALLOWANCE

Effective October 1, 2024		1 BR	2 BR	3 BR	4 BR
Heating	a. Natural Gas	15	19	25	34
	b. Electric	37	50	63	84
Cooking	a. Natural Gas	6	8	10	12
	b. Electric	14	18	22	29
Other Electricity		41	50	60	69
Air Conditioning		24	31	40	53
Water Heating	a. Natural Gas	10	13	16	23
	b. Electric	28	36	44	56
Water		37	46	62	79
Trash Collection		44	44	44	44
Range/Microwave		7	7	7	7
Refrigerator		7	7	7	7
TOTALS		\$270	\$329	\$400	\$497

* Subject to change without notice

- 4.2 Transportation – Refers to expenses for gas, bus and taxi fare, and cost for repair or maintenance of vehicles (not purchase).
- 4.3 Food – Refers to expenses for groceries and restaurants.
- 4.4 Taxes – Refers to state, Federal; and social security taxes.
- 4.5 Healthcare- Refers to health insurance; medical services such as hospital rooms and physician services, drugs including non-prescription drugs and vitamins, and medical supplies.
- 4.6 Alimony Payments –Periodic pre-determined sum awarded to a spouse or former spouse following a separation or divorce.

If these items are included in the credit card or revolving loan payments, these will be deducted from the back-end calculation and instead added to the recurring monthly expense.

Documentation Requirement. The applicant shall submit a statement of recurring monthly expenses for these categories, 3 months most recent credit card statements (detailed), 3 months checking account statement (detailed), pay stubs, insurance premium statements, and most income tax return.

Residual Income

Residual Income is the balance remaining after deducting a) PITI and HOA dues; b) Other monthly debt obligations such as car, alimony, and child support and credit card payments; and c) monthly recurring expenses from gross income.

$$\text{Residual Income} = \text{Gross Monthly Income} \text{ minus } \left\{ \begin{array}{l} \text{PITI and HOA} \\ \text{Other Debt Obligations} \\ \text{Monthly Recurring Expense} \end{array} \right.$$

$$\text{Residual Income ratio} = \frac{\text{Residual Income}}{\text{Gross Monthly Income}} \times 100\% \geq 15\%$$

If the borrower has not received the City’s full assistance based on the underwriting, the City may increase its down payment assistance such that residual income ratio does not fall below 15%.

5. First Mortgage Requirements:

5.1 Acceptable Loans - MAP may be used with conventional, fixed-rate loans, and with FHA, FNMA, FHLMC and private insured loans with a minimum 30-year terms. The loans must be fully amortizing. The following loans are not accepted:

- Balloon payment loans;
- Negative amortization;
- Temporary interest rate buy-downs. This means that loans that have an interest rate only period are not eligible, even if they convert to fully amortized loans at some point in the loan term.

5.2 Interest rates - must be fixed and must have a rate that does not exceed the current market rate, as established by the 90-day “posted yield” for 30-year fixed rate loans, as established by Fannie Mae, plus 100 basis points.

5.3 Reasonable Closing Cost – Closing costs cannot exceed 5% of a mortgage loan. So on a mortgage loan of \$250,000, the closing cost cannot exceed \$12,500. In addition, the lender cannot charge origination fees for the application or use of City (PLHA, HOME and CALHOME) funds.

The City of Pomona does not underwrite the Lender generated loans. The Lender will process the purchase money first lien mortgages using standard underwriting procedures. The value of the MAP loan in qualifying applicants is applied to necessary down payment and/or closing cost assistance in order to qualify for the Lender’s maximum purchase loan.

6. **Homebuyer Contribution/Cash Reserves:** At a minimum, the homebuyer must deposit monies equal to the *Recurring Closing Costs*. Recurring Closing Costs are defined as annual renewal for fees such as property taxes, hazard insurance and mortgage insurance. This value will be calculated by the lender and varies depending on the value of the house. At closing, borrower must have three (3) months PITI in reserves, but no more than \$6,000. An updated bank account shall be submitted to the City of Pomona prior to close of escrow

to show proof that reserves does not exceed the \$6,000 maximum reserve requirement.

E. FINAL LOAN RECOMMENDATION

The review of applicant eligibility, property eligibility, and underwriting of the loan will be prepared by the Loan Coordinator/Housing Technician and documented in a Final Loan Recommendation or FLR. This will be reviewed by the Housing Supervisor and approval of the Loan will be made by the Housing Manager. The Supervisor's Review and Manager's approval are also documented in the FLR.

F. TERM REQUIREMENT

1. Affordability Period/Principal Residence Requirement:

The affordability period is the length of time that the unit is required to be affordable to low- and moderate-income persons. Under the MAP Program, it is the length of time that the low income homebuyer/owner must occupy the home as their principal residence.

- a. Under the HOME and PLHA Program, based on the City's loan amount of \$100,000, the affordability period is fifteen (15) years for existing construction and twenty (20) years for new construction. For purposes of establishing compliance with Program requirements, the PLHA and HOME Programs' affordability period is satisfied if the property remains as the participant's principal residence for a period of 15 years from project close-out for existing housing and twenty (20) years from project close out for new housing construction.

For the CALHOME Program, the period that the participant must occupy the home as their principal residence is thirty (30) years.

- b. The Lender will be required to obtain from the borrower, using the program affidavits, a statement of the borrower's intent to use the residence as his/her Principal Residence within a reasonable time (30 days) after the loan closes. This affidavit further states that the MAP holder will notify the Lender if the residence ceases to be the borrower's Principal Residence.
- c. Applicant will be required to allow the City to recertify occupancy annually for the duration of the Applicant's occupancy of the unit. The "Annual Certification of Occupancy" will be used to confirm that the assisted household is still the residence of the borrower. Recertification may include requiring the Borrower to provide copies of current federal tax returns, telephone bills, utility bills, Driver's license, or other documentation as requested by the City.

No additional City assistance may be provided starting one year from project completion

through the end of the affordability period established above.

2. Payment/Repayment (Recapture):

There are no monthly payments. However, the City must be repaid when the property is sold, refinanced with cash out, a change in title occurs, or at the end of 15, 20 or 30 years, depending on funding source or type of construction. If the property owner changes the title to a trust after the loan is recorded, the City must be repaid.

A borrower may pre-pay a portion of the entire loan amount at any time without penalty.

3. Amount to Be Repaid (Subject to Recapture):

The City will be repaid for the amount of assistance that enabled the participant to buy the home ("Loan Principal"), as well as any equity realized at the time of sale ("Equity Share"), after deducting any eligible capital and curb appeal improvement costs, in proportion to the amount of the City loan provided. In addition, each full year the borrower occupies the property, 1/15th or 1/20th of equity sharing for HOME and PLHA funded loans or 1/30th of equity sharing for CalHome funded loan, will be forgiven.

Curb Appeal/Capital Improvements Credit Reduction. Further, if curb appeal or capital improvements are made to the property, the appreciated value of the property (at time of resale, change of title or refinance with cash out, or end of affordability period) may be reduced by the same value of the improvements ("Improvement Credits"). The maximum improvement credits cannot exceed the amount of the equity share. In this regard, the borrower will still be responsible for repayment of the Loan amount and any remaining equity share gained.

4. Acceptable Transfers: The City loan is not assumable. However, the following transfers of interest shall not require repayment of the loan:

- a. Transfer to a surviving tenant by devise, descent, or operation of law on the death of a joint tenant;
- b. A transfer in which the transferee is a person who occupies or will occupy the property, which is:
 - (i) A transfer where the spouse becomes an owner of the property;
 - (ii) A transfer resulting from a decree of dissolution of marriage, legal separation agreement, or from an incidental property settlement agreement by which the spouse becomes an owner of the property; or
 - (iii) A transfer into an inter-vivo, or living trust in which the homebuyer is and will remain the beneficiary and occupant of the property.

G. SUBORDINATION REQUIREMENT

The City will permit a refinance and will subordinate to allow the homeowner to get the best terms. The following conditions must be met:

1. The homeowner is refinancing the first mortgage to receive a lower fixed interest rate. In the case of a FHA streamline, the refinance cannot increase the amount of debt against the property – lender pays cost;
2. The new loan does not provide for cash out;
3. No change in title must occur;
4. The homeowner is not being charged unreasonable fees;
5. The City's security is not diminished from its original position; and
6. Said refinance decreases the homeowner's monthly housing expense.

Documentation Requirement. In order to evaluate to evaluate the request for subordination, the following documents are required by the City:

1. Written request from the property owner including address of property and the City loan amount;
2. Letter from lender indicating:
 - a. Amount of new loan
 - b. Balance of current loan
 - c. Market and equity value, if applicable
 - d. Current loan type and new loan type. The interest rate must be fixed. Negative amortization will not be accepted
 - e. Current interest rate and new interest rate
 - f. Current month payment (P&I) and new monthly payment (P&I)
 - g. Amount current loan will be increased
 - h. If there will be an increase in the first principal loan amount, the increase in pay
 - i. Loan to value ratio
 - j. Amount of original first trust deed
3. Recent property appraisal;
4. Preliminary Title Report;
5. Certified Escrow instructions;
6. Loan Application (1003);
7. Estimated HUD-1; and,
8. Borrower's authorization.

In order to protect property owners from predatory lending practices and to protect the City's interest on the property, the City may choose not to subordinate. Should this occur and the property owner still chooses to refinance with the same terms, the City will require payment of the City loan plus the City's equity share.

H. OTHER PROGRAM REQUIREMENTS

1. **Homebuyer Education/Counseling:** All homebuyers will be required to satisfactorily complete an 8 hour homebuyer educational workshop by a HUD approved agency prior to receiving MAP assistance. The City of Pomona entered into a partnership with the Neighborhood Partnership Housing Services, Inc. (NPHS) to provide homebuyer education seminars for the City's First-Time Homebuyer Program applicants free of charge. The City of Pomona requires that applicants submit certificates of attendance to NPHS's homebuyer seminars or a comparable homebuyer education program at the time they apply with the City.

A Homebuyer Training Certificate will be accepted for up to (1) one year after the date of training for **HOME** funded loans, and (6) six months for **CalHome** and **PLHA** funded loans.

2. **Property Inspection:** It is the buyer's agent obligation to schedule the inspection with the seller of the property and a City inspector. To reiterate, if there are violations from the standards identified above and these are not corrected prior to the close of escrow, MAP assistance will not be provided.

It is important to note that the City inspection does not take the place of the property inspection of the homebuyer. The homebuyer must conduct their property inspection, irrespective of the City inspection. The City inspection is being conducted for the purpose of ensuring compliance with program standards and requirements.

3. **One-on-One Meeting with Beneficiaries:** The City staff will conduct a face-to-face meeting with the borrower(s) to go over major terms and conditions of the City assistance after the submission of Reservation of Funds. The beneficiaries must acknowledge understanding of the MAP terms and conditions.
4. **Strict penalties for material misstatement, misrepresentation or fraudulent act on documents submitted to obtain MAP assistance:**

All applicants and program participants must complete and sign appropriate MAP program documents and attest to their validity. The Lender will be required to submit certifications, which will state that to the best of the Lender's knowledge, material misstatements do not appear in the application and program documents. If the Lender becomes aware of misstatements, whether negligently or willfully made, he/she must notify the City immediately. The City will take all appropriate actions to enforce program requirements.

Any person making a negligent material misstatement or misrepresentation in any affidavit to certification made in connection with the application for, or continuation of MAP assistance shall be subject to all applicable fines and penalties.

5. **Borrower's personal liability.** In cases when a loan is due and the City does not receive the full repayment, i.e. at the time of sale, transfer, refinance, at the end of the loan term, or foreclosure, the borrower is personally liable for the portion of the loan that is unpaid. The City may take an action or actions against the borrower and any other applicable party to recover the deficiency.

6. **Covenants run with the land.** The recorded Declaration of Covenants, Conditions, and Restrictions run with the land for 15 or 20 years for PLHA and HOME assisted loans; and thirty (30) years for CalHome assisted loans.

III. PROGRAM PROCEDURES

Prospective homebuyers apply for MAP through a Participating Lender when they apply for their homebuyer mortgage loan. The MAP application is submitted along with the application for a mortgage to one of the Participating Lenders.

The MAP processing procedures are designed to coincide with standard mortgage loan processing and underwriting procedures. Recognizing there are procedural variations among the Participating Lenders, the procedures outlined here are meant to serve as guidelines. However, all the elements of the processing sequence outlined in the Guidelines must be at some point completed, regardless of sequence.

The City may delegate administrative functions to Participating Lenders.

A. APPLICATION PHASE

During the Application Phase:

1. Applicant contacts the City for an information packet and list of participating lenders.
2. Applicant contacts a participating lender to obtain preliminary loan approval. Applicant contacts a real estate agent to select a home and obtain a purchase agreement.
3. Applicant formally applies to participating lender for a mortgage loan for the purchase of the home.
4. Lender determines if Applicant is eligible for MAP loan approval based on income, first time homebuyer's status, affordable housing cost, and related MAP requirements.
5. If Applicant preliminarily qualifies, lender requests from City a MAP Commitment/Reservation. Lender submits the following to City:
 - a. MAP Request for Funds- Request includes Statement of Preliminary Qualifications based on lender's review of: 1.) Low income limits for family size 2.) First-Time Homebuyer status 3.) Affordable Housing Cost 4.) Monthly Household Recurring Expense (*Exhibit A*)
 - b. Lender Loan Pre-Approval and Underwriting documents
 - c. Purchase Agreement
 - d. MAP Application* (*Exhibit B*)
 - e. HOME Program Eligibility Release From (*Exhibit C*)
 - f. Signed IRS form 4506 (*Exhibit D*)

- g. Good Faith Estimate
- h. Truth In Lending Disclosure Statement
- i. Certificate of Completion of Homebuyer Education Workshop
- j. Income Documentation [refer to checklist]
- k. Credit Report
- l. Copies of Social Security cards and proof of U.S. Citizenship or resident alien for all household members
- m. Copies of Drivers license or current identifications for all persons over 18

The Application contains the following acknowledgements and certifications:

- a. Certification that residence will be used as a Principal Residence and that the Applicant must notify the City/Lender when the home ceases to be the Principal Residence (NO RENTALS);
 - b. Certification that Applicant has not had an ownership interest during the preceding three (3) year period;
 - c. Certification that Applicant's income does not exceed permitted income limits;
 - d. Certification that no interest is being paid to a "related person";
 - e. Acknowledgement and acceptance that the MAP cannot be transferred;
 - f. Acknowledgement and acceptance that if executed, a MAP loan will constitute a secondary lien upon the property, due and payable with sharing of equity at time of sale, refinance with cash out, change in title occurs, or prepayment; and,
 - g. Acknowledgment that any material misstatement or fraud is made under penalty of perjury.
6. City responds to Lender on Lender's request for reservation of MAP funds (either provides reservation, request more information for reservation, or rejects within 24-48 working hours. City monitors amounts reserved so that authorized/budgeted amounts for program are not exceeded. City will not grant reservations if such grant would exceed the limit authorized for the program.
7. If City grants a reservation, lender has **45** days to:
- a. Submit complete loan application "copy package" to City
 - b. Receive final commitment form from City
 - c. Allow five working days to draw up City loan documents
 - d. Obtain signatures for both loans
 - e. Forward copy of signed docs to City
 - f. Close Escrow
8. City establishes a loan file on the Applicant and logs in MAP reservation.
9. Applicant meets with City staff to go over major MAP terms and procedures

B. RESERVATION PHASE

After the City grants a reservation of MAP funds, the Lender completes the standard underwriting and verification procedures:

1. Lender performs standard mortgage loan underwriting procedures, but takes into consideration the value of the MAP when determining the net amount of the monthly housing payment. Lender determines acceptability of loan in accordance with applicable FNMA, FHLMC, FHA, and/or private mortgage insurance standards and/or underwriting guidelines.
2. Lender performs standard verification for loan underwriting. In conjunction with Lender's regular verification process and under the agreement with the City, the Lender performs a conventional and good faith, state of the industry, investigation to verify that all MAP program/requirements have been satisfied. Lender may verify these facts in a reasonable efficient manner, according to standard industry practices for processing mortgage loan applications.
3. Lender certifies that the Applicant and the mortgage transaction comply with MAP program restrictions on Income, Affordability, and First-Time Homebuyer status. Lender also certifies that Lender has underwritten the maximum principal loan in the amount that the applicant qualifies to receive. Lender will sign a Certification Statement when he submits a "Copy Package" (*Exhibit E*).
4. Lender completes all other standard underwriting and verification procedures.
5. The Lender submits a "Copy Package" to City (for underwriting purposes). The Lender must review documents to determine their completeness in accordance with the terms of this MAP Program Manual.
6. During the Reservation Phase, Lender must immediately notify the City in writing of withdrawals for request of funds.

C. CITY REVIEW

1. City reviews the Lender "Copy Package" for completeness including required certifications and verifications. City reviews affordability determination by lender. **Once complete copy package is received allow 7-10 working days for underwriting.**
2. City staff submits Final Loan Recommendation (FLR) to management for recommending approval or rejection.
3. If final loan commitment is approved, City sends lender a notice of final commitment. A five

- (5) working day notice from lender is required for City to draw up documents.
4. Buyer's Agent schedules the inspection with the seller and a City Inspector to ensure compliance with standards stated under II.C of this document. The borrower shall make arrangements with the seller to have any violations corrected prior to funding. If corrections are not made to meet standards, property will not be funded.
 5. Lender e-mails or faxes request to City to draw up City loan documents to send to escrow (*Exhibit H*). E-mail to map@ci.pomona.us.ca or fax (909) 620-4567.

D. LOAN CLOSING

Borrower(s) Responsibility

1. Inspection results- Violations are corrected before close of escrow

Lender/Escrow Responsibility

1. Lender notifies City regarding Escrow Company and Escrow Closing Time-Period.
2. Lender submits request for City Loan Document Draw Down. Request for City to formally execute and send the following documents to escrow:
 - Escrow Instructions.
 - Loan Documents. (Loan Agreement; Promissory Note; Deed of Trust; CC&R's; Request For Notice signed by City).
 - Truth In Lending Disclosure Statement; Notice of Right To Cancel
 - Notice that Escrow must notify City of target escrow closing date and City must have up to five (5) working days to forward funds.
3. After the Applicant has formerly executed the required loan documents, the Escrow Company then forwards loan documents to the City.
4. Once all conditions have been met, funds will be requested from HUD and wired to Escrow. This is estimated to take 3 to 5 business days.
5. County Recorders Office and/or Escrow Company forward MAP Loan Documents to the Agency indicating that the loan has closed. These documents include:
 - Loan Agreement
 - Promissory Note
 - Deed of Trust
 - Declaration of Covenants, Conditions and Restrictions
 - Request For Notice

City Responsibility

1. City reviews the close of escrow documents and checks the file to ensure that all necessary documents have been submitted.
2. If and when all conditions are met, City request funds to be drawn down from HUD and wired to Escrow. This takes 3 to 5 business days.
3. County Recorder's Office sends executed Recorded Loan Documents to City.
4. City closes loan file.

E. MONITORING PHASE

Lender Responsibility

For five (5) years, the Lender must retain the following:

- Name, mailing address, and TIN (social security number or tax identification number),
- Date of loan (date of issuance) and loan amount of the MAP holders.

City Responsibility

The City shall maintain the following records:

- MAP Commitment/Reservation form
- MAP Request for Funds
- Preliminary Loan Approval
- Application Affidavit
- "Copy Packet"
- Final Loan Recommendation (FLR)
- Loan Documents (Executed)

IV. MAP SUBMISSION AND COMMITMENT

A. HANDLING PRIORITY

The City of Pomona will process all loan applications according to the date of receipt.

B. LENDER PARTICIPATION AND TRAINING

All Participating Lenders must attend a MAP Program Training before being certified to participate in the MAP Program. Lender Agreement must be signed and dated in order to be placed on approved lender list. Continued certification for the Program will require participation in future lender meetings specified by the City. *(This requirement may be waived at the City's discretion).*

Participating Lenders are expected to be well informed regarding applicable Local, State, and Federal requirements as well as those contained in the Guidelines. Both Applicant and Lender alike must be aware of these requirements before any MAP application is processed. A Lender shall disqualify applications in which the submitted information indicates that either the Applicant or the home does not qualify for the program.

If an approved Lender has not had any activity in six (6) months, the Lender may be removed from the list automatically without any notice. If the individual who attended the MAP Program Training is not with the same Lender at the time of training, both the individual and the Lender will become ineligible unless the individual or Lender receives the training again.

C. REVOCATIONS

1. Automatic revocation occurs when the residence for which the MAP was issued ceases to be the MAP holder's Principal Residence.
2. Unless waived in writing by the City, automatic revocation occurs whenever the MAP holder is not in compliance with the requirements for a qualified MAP.
3. Revocation will occur upon discovery by the City or a Participating Lender of any material misstatement, whether negligent or fraudulent.
4. A Lender must notify the City if the Lender becomes aware of any circumstances, which would disqualify a MAP Applicant or Recipient of the benefits of the MAP.

D. CHANGING PROPERTIES DURING MAP APPLICATION PROCESS

If a MAP commitment has been given and the applicant changes properties, the Lender must submit a new signed and complete packet. The commitment will be issued with an expiration date of forty-five (45) days.

E. RESUBMISSION OF MORTGAGE ASSISTANCE PROGRAM APPLICATIONS RETURNED OR REJECTED

If a MAP application has been returned or denied by the City, any re-submission, must include all information which the City has determined necessary for consideration. A MAP Application, which is re-submitted, will be reviewed in depth and a final disposition made.

F. CHANGES PRIOR TO CLOSING

1. Changes in the Applicant's Financial or Marital Status after the Issuance of Commitment and Prior to Closing

The eligibility of an Applicant for a MAP is based upon the Applicant's current income. The MAP Program will issue the Commitment based on facts as they are verified as of the date the Commitment is issued. The income verified for commitment is valid as long as the loan closes within forty five (45) days after the financial information was originally submitted and there are no new sources of income that were not previously reported.

Increases in income previously reported (e.g. raises) will not affect the validity of a MAP Commitment as long as the loan closes within forty five (45) days from the time the MAP Commitment was issued. If the loan does not close within forty-five (45) days and an extension is requested, the additional income will have to be verified. If total income exceeds the Program maximum, the Applicant is no longer qualified.

If the Applicant experiences a change in marital status after issuance of the Commitment and prior to closing, the spouse must satisfy the prior home ownership requirements contained in the Application Affidavit and the Closing Affidavit and the Lender must notify the MAP Program. Any income added to the household income previously declared because of the new spouse should be considered and may affect the validity of the Commitment.

2. Changes in Home Ownership Status, Acquisition Cost and Amount of Mortgage Loan After Commitment and Prior to Closing

If the borrower(s) acquires a present Ownership interest in a Principal Residence prior to loan closing, the MAP Commitment shall be revoked.

If the total acquisition cost of the residence purchased in connection with the MAP increases so as to exceed the Acquisition Cost limitations set forth herein, the MAP Commitment shall be revoked.

3. Other Changes in Circumstances after Issuance of Commitment and Prior to Closing

The MAP Commitment is issued in reliance upon the Borrower's and Seller's Affidavits and the Lender's Certification that the requirements necessary for issuance of a qualified MAP have been met. The Lender must immediately notify the City in writing of any change in the circumstances upon which the Commitment was issued. If any other change of the circumstances upon which the Commitment was issued occur so that the MAP to be issued will not meet the requirements of a qualified MAP, the Commitment will be revoked.

G. AUDIT

The City retains the express authority to perform random audits of Participating Lender's records.

**Mortgage Assistance Program (MAP)
REQUEST FOR FUNDS**

EXHIBIT A

(Attached)

ATTACHMENT A: INCOME DOCUMENTATION CHECKLIST

Mortgage Assistance Program (MAP)

APPLICATION

EXHIBIT B

(Attached)

**Mortgage Assistance Program (MAP)
HOME PROGRAM ELIGIBILITY RELEASE FORM**

EXHIBIT C

(Attached)

Mortgage Assistance Program (MAP)

IRS FORM 4506

EXHIBIT D

(Attached)

**Mortgage Assistance Program (MAP)
CITY COPY PACKET CHECKLIST**

EXHIBIT E

(Attached)

ATTACHMENT A: INSPECTION REQUEST FORM

**Mortgage Assistance Program (MAP)
HOUSEHOLD MEMBER WORKSHEET**

EXHIBIT F

(Attached)

**Mortgage Assistance Program (MAP)
PERMITTED TRANSFER
ACKNOWLEDGEMENT**

EXHIBIT G

(Attached)

**Mortgage Assistance Program (MAP)
REQUEST FOR CITY LOAN DOCUMENT
DRAW DOWN**

EXHIBIT H

(Attached)

Mortgage Assistance Program (MAP)
MAP INCOME TAX AFFIDAVIT

EXHIBIT I

(Attached)

Mortgage Assistance Program (MAP)

"AFFORDABILITY CRITERIA"

ATTACHMENT A: LENDING CRITERIA CHECKLIST

ATTACHMENT B: DETERMINATION OF GROSS INCOME

ATTACHMENT C: AFFORDABLE HOUSING COSTS
MONTHLY RECURRING EXPENSE WORKSHEET

ATTACHMENT D: INCOME, FAMILY SIZE AND COST ADJUSTMENTS

"FAIR HOUSING POLICY"

ATTACHMENT E: STATEMENT OF POLICY

"HOMEBUYER PROGRAM LEAD COMPLIANCE"

ATTACHMENT F: DOCUMENT CHECKLIST