CITY AND COUNTY OF SAN FRANCISCO

MAYOR'S OFFICE OF HOUSING

One South Van Ness Avenue, 5th Floor
San Francisco, CA 94103
Tel. (415) 701-5500
Fax (415) 701-5501
www.sfgov.org/moh

DOWNPAYMENT ASSISTANCE LOAN PROGRAM (DALP)

February 2012

CITY AND COUNTY OF SAN FRANCISCO
MAYOR'S OFFICE OF HOUSING
DOWNPAYMENT ASSISTANCE LOAN PROGRAM

PROGRAM DESCRIPTION

A. INTRODUCTION

The Mayor's Office of Housing (MOH) administers the Downpayment Assistance Loan Program (DALP). This manual describes the program guidelines and processing procedures for the DALP. It also establishes the roles and responsibility of the City and County of San Francisco, MOH, the first mortgage lenders and the homeownership counseling agencies. Finally, it describes the qualifications and requirements of prospective first-time homebuyer applicants. DALP loans are currently not available for the purchase of Below Market Rate (BMR) units. The Mayor's Office of Housing will review and update these guidelines annually to reflect changes in the market and better meet the community's needs.

B. DEFINITIONS

1. **Appreciation**: An amount representing the increased value of a property determined by comparing the fair market value (FMV), or sale price of a property at the time of the original purchase with the new FMV or sale price at the time of resale.

2. **Back-end ratio:** The ratio between monthly household income and monthly housing costs plus all payments on long-term installment debt.

3. **Bedroom**: A habitable room with legal ceiling heights, a closet, window and door with direct connection with the living space of the property. Bonus room and finished room will be considered as bedroom, if the room has the above requirements. The size of a household must be compatible with the size of the unit being purchased. A minimum of one person per bedroom is required.

4. **Borrower:** For purposes of determining the household income, the income of all persons 18 years and older who will reside in the property will be considered as part of the total income used to determine eligibility within the established limits.

5. **Below Market Rate Unit *"BMR"*** Units are properties that are affordable due to price and/or eligibility limits and will usually have resale restrictions. BMR purchasers cannot apply this program.

6. **Director**: Director of the Mayor's Office of Housing, or other official designated by the Mayor of the City and County of San Francisco.

7. **Dependents**: The household members who reside in the property and who are listed as dependents on the Borrowers' income tax returns.

8. **Eligible Household**: To be considered a member of a household, a person must either be (1) on the title and the loan documents for the unit or (2) claimed as a dependent on the tax returns of a household member who will appear on the title and loan for the property. A household is defined in terms of financial relationships and can include any owner partnerships as long as their combined gross, annual income meets the eligibility guidelines. All household members must be first time homebuyer.

9. **Fair Market Value**: The value of a property based upon the determination of an authorized appraiser mutually acceptable to both the City and the Borrower.

10. **First-time homebuyer**: The Borrower or co-borrower receiving a loan from the City who never owned any interest in a dwelling unit, any commercial real estate, or any land.

11. **Front-end Ratio:** The ratio between monthly household income and monthly housing cost, including first mortgage principal, interest, taxes, insurance and homeowner association due (HOA).

11. **Gross income:** The anticipated income of a borrower or household member for the twelve-month period following the date of determination of income.

12. **Home**: Any residential property in which the Borrower or any of the Borrower's household has ever owned as their Principal Residence.

13. **Household Size Compatibility**: The size of a household must be compatible with the size of the unit being purchased. A minimum of one person per bedroom is required. In other words, a single person may purchase a studio or a one-bedroom unit; a two-person household may purchase a two-bedroom unit or a smaller unit if they choose; a three-person household may purchase a three-bedroom unit; and so on.

14. **Household Income:** All sources of income from which the Borrower(s), and any other person 18 years of age or older who is expected to live in the residence, receive income including the monthly gross pay; any additional income from overtime, part-time employment, bonuses, commissions, tips, dividends, interest, royalties, pensions, Veteran's Administration (VA) compensation, net rental income or other income (such as alimony, child support, public assistance, sick pay, social security benefits, unemployment compensation, income received from trusts, and income received from business activities or investments).

15. **In-Law Units:** An area within the property that is autonomous from the principal residential area and has been constructed or converted to accommodate a living space for a separate household complete with kitchen and bath.

16. **Loan-to-value-ratio**: The ratio between the amount of all indebtedness likened or to be liened against a property to the appraised value of the property securing the liens.

17. **Live-work Units:** Those units designated by ordinance and zoning to qualify as legal living space within a commercially or industrially zoned building. The Live/Work unit definition does not require the property to be used specifically as commercial or dwelling. The real estate industry term "loft" only refers to the structural style. The property must also meet the criteria of ordinance and zoning parameters in order to be considered "Live/Work".

18. **Liquid Assets:** Liquid assets include all source of monies from savings, checking accounts or investments held by any occupant of the Borrower's household, including minors and any fund is available to liquidate. Liquid Assets will not include funds held in a pension account, retirement fund, 401K plan, or similar asset that is not available for purchase of the property or liquidation.

19. **Mayor's Office of Housing ("MOH")**: The office designated by the Mayor to administer the program guidelines and perform required oversight and compliance monitoring of the Regulations established by the Affordable Housing and Home Ownership Program ("Program").

20. **Maximum Sales Price**: The maximum purchase limit is the same as CalHFA's purchase price limit for non-targeted resale for San Francisco County. As of June 2010 the current purchase price limit is $637,645.

21. **Maximum Income**: DALP is available to First Time Homebuyer household whose combined annual income of all members at the age of 18 and older do not exceed 120% of the median income for the San Francisco Metropolitan Statistical Bay Area as defined by HUD and adjusted for household size. The amounts are adjusted on an annual basis.

22. **Monitoring**: Activities of the Mayor's Office of Housing, which will ensure compliance with the requirement of owner occupancy. Borrowers are required to submit certain documentation on a regular basis to MOH to substantiate their continuing compliance with the Program requirements.

23. **Participating Lender**: Lending institutions that have demonstrated their ability to provide loan origination services and perform other duties within applicable laws and the Regulations.

24. **Primary Financing**: The first mortgage made by a Participating Lender for the purchase of a Principle Residence, which shall be the maximum loan affordable to an eligible Borrower.

25. **Principal Residence:** (1) A Single-Family Residence, (2) Condominium or (3) Townhouse. It does not include limited cooperatives (such as timeshares), recreational vehicles, campers, or similar vehicles. The Borrower must occupy the Principal Residence substantially for entire term of the loan.

26. **Purchase Price**: The cost of acquiring a residence, excluding usual and reasonable settlement or financing costs, and excluding the value of services performed by Borrower in completing the acquisition of the residence.

27. **Regulations**: The Regulations for Program as adopted by The Board of Supervisors of the City and County of San Francisco and as amended from time to time.

28. **Rental Units**: Any dwelling unit in which the Borrower / applicant maintains an ownership interest and is used, or can potentially be used, as an investment from which they derive rental income from tenants.

29. **SFMSA:** San Francisco Metropolitan Statistical Area.

30. **Single Family Residence:** A single-family one-unit residence intended and used for occupancy by one family household.

31. **Total Transaction Costs**: The cost of the purchase of a home, including the sales price, closing costs and transactional fees.

C. ELIGIBLE USE OF FUNDS

1. Downpayment Assistance Loans will be made from available funding sources for the purpose of providing assistance to eligible low and moderate income First Time Homebuyers who would otherwise not be able to purchase a home in San Francisco.

2. DALP funds are limited to making loans available to households earning no more than 120% of the area median income. The Director may make annual recommendations to the Mayor for a set aside of not greater than 25% of each annual allocation to the Downpayment Assistance Loan Account for First-Time Homebuyers purchasing homeownership units that have been financed wholly or partially with other City or San Francisco Redevelopment Agency funds or which are subject to affordability requirements pursuant to a City Planning Commission condition of approval. This set-aside may include all or a portion of the 25% set-aside for households at or below 80% of the SFMSA median income.

3. DALP funds may not be used to purchase price-restricted units (BMRs). The Director may identify other programs that are incompatible with DALP.

D. BORROWER ELIGIBILITY REQUIREMENTS

The following criteria must be met for an applicant to be eligible for funding under the requirements of the DALP:

1) Income and Asset Requirements:

A. Maximum Income Limits

The Borrower's annual household income cannot exceed 120% of the median for the SFMSA as published by the U.S. Department of Housing and Urban Development (HUD), adjusted for household size.

A Borrower may be eligible for a Downpayment Assistance Loan if the largest mortgage for which the Borrower can qualify plus the Borrower's downpayment from all Available Assets is less than the Purchase Price of the property.

Liquid Assets includes: All source of monies from savings, checking accounts, investments and properties held by any member of the Borrower's household including minors and any fund is available for liquidation to purchase property. Liquid Assets do not include funds held in pension accounts, retirement funds, 401(k) plans, or similar assets which are not available for liquidation without substantial financial penalty to the Borrower. Personal property such as household furnishings, tools of trade or employment, or automobiles are NOT considered liquid assets. Evidence that liquid assets have been transferred to another individual or into an unavailable asset account to avoid use in the purchase will result in disapproval of the Borrower's application. **Combined household liquid assets after purchase property cannot exceed $25,000.**

Gross Income Includes: All sources of income from which the Borrower and any other person 18 years of age or over, who is expected to live in the residence. Gross income from wages, salaries; any additional income from overtime, part-time employment, bonuses, commissions, tips, dividends, interest or dividends earned on assets, royalties, annuities, insurance policies, retirement funds, pensions, disability or death benefits, Veteran's Administration (VA) compensation, net rental income or other income (such as alimony, child support, public assistance, sick pay, social security benefits, unemployment compensation, income received from trusts, and income received from business activities or investments).

B. **Income Determination:**

The Gross Income of a Borrower (or Borrowers) (as defined by Revenue Ruling 86-124) promulgated by the Internal Revenue Service is the Borrower's annualized gross income. Use one of the appropriate formulas for full time employment (40 hours) or employment with consistent regular hours or income to arrive at the Borrower's base pay.

The calculation of income based on the gross income on each applicant's past three pay stubs. Each household member's income is derived by dividing the year-to-date gross income by the person's current pay period and then by annualizing an estimated pay period amount by the number of times the person is paid in one year.

YTD gross income/current pay period x number of paid a year = Annualized gross income

Example:

Year-to-date income is $20,000 as of the 10th pay period of the year
Estimated pay period amount = $20,000 divided by 10 = $2,000
Total number of pay periods in year for applicant is 24
Annualized pay = $2,000 x 24 = $48,000

Calculations such as part-time employment with variable hours (or less than 40 hours per week), inconsistent income or hours, overtime, bonuses and commissions, etc., can be calculated using year-to-date income to project the annual income.

A self-employed Borrower can also be considered to have income which varies from month to month. The borrower's gross annual income calculations will be based on the net income before taxes from the Borrower's signed, quarterly Profit and Loss Statement. This amount will be divided by the appropriate number of months covered by the Profit and Loss Statement to derive at a monthly income amount. The monthly income amount will be multiplied by 12 to derive the annual income.

Self-employed Borrower must provide:

- Self-employed Affidavit.
- All Profit and Loss statements from the past 3 years
- An estimated Profit and Loss statement for the current year
- Copies of all invoices and payments made to the applicant as a part of self-employment in the current calendar year.

Example:

Year-to-date net income is $32,000 for 5 months on the P/L Statement
Estimated Income amount = $32,000 divided by 5 = $6,400
Total number of the year is 12 months
Annualized Income = $6,400 x 12 = $76,800

Borrower or Co-Borrower not employed or not receiving any income must provide:

- *Unemployment Affidavit* that is signed and notarized.
- Unemployment Affidavit must be used in the event that the applicant is not able to provide the Mayor's Office of Housing with paystubs or other documentation of regular income.

Interest earnings are computed on the net principal of the liquid assets at the current market rate after reduction of downpayment and closing cost requirements as applicable.

Information with respect to gross monthly income may be obtained from available loan documents executed during the four-month period ending on the date of the closing of the mortgage, provided that any gross monthly income not included on the loan documents must be included in determining gross monthly income. The income to be taken into account in determining gross income is income of the Borrower (or Borrowers) and any other person over 18 years of age who is expected live in the residence being financed. If the co-Borrower, co-signer or co-habitant meets both requirements in the sentence above, include his/her income in your gross income calculations.

Verification of Employment and other supporting documentation regarding income such as pay stubs should be no more than 60 days old at the time of submission of the DALP loan application.

As of January 1, 2012 the income limits as follows:

Persons per household	One	Two	Three	Four	Five
80% AMI	$57,700	$65,900	$74,150	$82,400	$89,000
90% AMI	$64,900	$74,150	$83,450	$92,700	$100,150
100% AMI	$72,100	$82,400	$92,700	$103,000	$111,250
110% AMI	$79,300	$90,650	$101,950	$113,300	$122,400
120% AMI	$86,500	$98,900	$111,250	$123,600	$133,500

2) **First Time Home Buyer Requirements:** The DALP funding is available only to those Borrowers who have **never** owned interest in a dwelling unit, any commercial real estate, or any land. This includes homes in any geographic location and not limited to property in the City and County of San Francisco. Evidence of compliance with this requirement includes the *First Time Homebuyer Affidavit (DALP-4)* ("FTH Affidavit")

Executed copy of this affidavit must accompany each loan package submitted to MOH for loan review. Each party must personally execute *DALP Application Form (DALP-1),* all affidavits; no powers of attorney may be used with any of these documents. In addition to this *FTH Affidavit,* the following evidence is required to determine First Time Homebuyer status and must be included which each loan submission file:

a. True, correct and complete signed copies of the Borrower's federal income tax returns as filed with the IRS (or IRS printouts of complete tax returns) for the immediate three years, or

b. An *Income Tax Affidavit (DALP-3)* that the Borrower has not been required to file a federal income tax return during one or all of the preceding three years because the Borrower's gross income was less than the minimum required for filing federal income tax returns. In addition, if the Borrower submits this Affidavit of non-filing, the Borrower must also include additional supporting documentation, including but not limited to verification from the Borrower's landlord, and rental receipts with rental agreements for the year(s) in question. Also, the Borrowers require signing this Affidavit and preceding year W-2 Forms when an application is submitted during the period between January 1 to February 28 and the Borrower has not yet filed his/her federal income tax return for the preceding year with the IRS, and

c. Sign *IRS Form 4506*-Request for Copy of Tax Return.

3) **Minimum Downpayment Requirement**: The borrower must contribute a minimum of two and half percent (2.5%) of the purchase price from the borrower's own funds toward the down payment of the property. All applicant must have sufficient funds to meet the require down payment, closing cost, necessary reserves and sufficient income to meet the monthly mortgage payments, property tax, homeowner insurance and homeowner association dues.

Sellers Credit: No sellers, developers or realtors credit allow for the DALP program.

4) **Primary Financing**: Borrowers who apply for a downpayment assistance loan must be able to qualify for a maximum first mortgage from a Participating Lender for the purchase of a property located in the City and County of San Francisco prior to submitting an application for a downpayment assistance loan. Borrowers must have sufficient funds to meet the required down payment, closing costs, and necessary reserves and sufficient income to meet the monthly mortgage payments. The DALP loan must take second lien behind the first mortgages.

Allowable Loan Types: The first mortgage must be 30 year fixed rate mortgage, the mortgage payment must be fully amortizing.

Loan Type not allowed: stated income, interest-only, negative amortizing and balloon payment loans.

Combined Maximum Loan-to-Value Requirement (CLTV) cannot exceed 97.50% of the purchase price, which include the first mortgage; the City's Downpayment Assistance Loan and any other borrowed subordinate financing. No seller credit and cash back at close of escrow.

Deb to Income Ratio: Applicants monthly housing debt, including property taxes, property insurance, and if applicable mortgage insurance and homeowner's association dues cannot less than 33% (front-end-ratio) of the household's gross income. The ratio of monthly housing costs, plus all other household monthly debt (including credit cards, car payments, etc.) cannot exceed 45% (back-end-ratio) of the household's gross income. The back-end-radio cannot exceed more than 5% of the front-end ratio (for example, the front-end ratio is 33%, the back-end-ratio cannot exceed 38%).

5) **Homebuyer Education Requirements**: All borrowers will be required to complete the first-time homebuyer education course through one of MOH's 5 approved housing counseling agencies. A certificate of completion of homebuyer education must be included with the application package. For schedule of the homebuyer course, borrower may call or visit the housing counseling agencies website listed below. Certifications must have been issued within the last 12 months from the date of the application for downpayment assistance

6) **Owner-Occupancy Requirement**: All Borrowers must meet the following residency requirements throughout the life of the loan in order to comply with the terms of the downpayment assistance loan:

a. The Borrower must occupy the purchased property as their Principal Residence within 60 days after the close of escrow and continuously thereafter, for the term of the loan or until the property is sold.

b. The applicant must expect to occupy the purchase property as their Principal Residence substantially all of each year.

c. Properties eligible to receive downpayment assistance loans must remain owner-occupied throughout the term of the loan. Compliance monitoring will be performed and documented proof of occupancy required at intervals determined by MOH.

d. A temporary rental of a property may be allowed under special circumstances. Approval of temporary rental of the property is at the sole discretion of the Director and may not exceed one year. Upon discovery that the property is rented out by the Borrower without the prior written approval from MOH, the downpayment assistance loan is immediately due and payable.

7) **Household Size Compatibility:** At the time of application, the size of a household must be compatible with the size of the unit being purchased. A minimum of one person per bedroom is required. In other words, a single person may purchase a studio or a one-bedroom unit; a two-person household may purchase a two-bedroom unit; a three-person household may purchase a three-bedroom unit.

8) **Title Transfer Restriction:** Changes in the title are not permitted. However, deletion of a Borrower or co-Borrower from title may be allowed in cases of death or divorce.

9) **Non-Discrimination and Privacy Requirements:** All applicant eligibility requirements contained in this manual must be applied without regard to the race, creed, color, gender, religion or national origin of the applicant. Lenders shall be sensitive to the privacy interests of the applicants, and should use the information received only for purposes of verifying the applicants' eligibility for a downpayment assistance loan.

E. PROPERTY ELIGIBILITY REQUIREMENTS

1. All properties purchased with downpayment assistance loan funds must be Single-Family Residences located in the City and County of San Francisco. The residences may be a single-family house, Condominium, Town Home, Loft or Live Work Unit (as long as the property has appropriate residential space and will be used as the owner's principal residence).

2. **Inspection Report Requirement for DALP** - All properties purchased with DALP downpayment assistance loan program must be inspected by a certified, independent third party home inspector at the borrower's expense. The inspection report must be acceptable to the borrower and submitted to MOH along with the DALP application. All reported deficiencies that pose immediate health and safety hazard must be corrected as a condition prior to any funding of a DALP Loan. The City of San Francisco will not be held liable for any misrepresentation, false claims or information contained in the inspection report. The City of San Francisco maintains the right to deny the loan, due to the condition of the property. If the first mortgage lender is requiring repairs to the property, you must include a copy of the clearance report prior to close of escrow.

Violations or corrections may be referred to the Mayor's Office of Housing's Lead and Rehabilitation department for evaluation and program qualification - please visit MOH's rehabilitation website for program requirements – http://sf-moh.org/index.aspx?page=744

For brand new homes (single family or condominium units) a standard inspection report must be obtained by buyer from the developer or sales representative of the development.

All applicants must submit a signed and notarized of **General Release and Waiver of Liability** form along with the DALP application.

3. Properties containing Rental Units and "In -Law" units in addition to the dwelling units to be occupied by the Borrower's Household are NOT eligible.

4. The Director establishes Maximum Sales Prices for properties purchased with downpayment assistance loan funds.

Maximum Purchase Price Limit - As of June 2011, the current purchase price limits is $637,645.

F. LOAN TERMS

All downpayment assistance loans must meet the following terms:

1. **Maximum Loan Amount**: The maximum eligible loan cannot exceed the lesser of the following amounts:

   (a) The Purchase Price of the property less the sum (i) of the maximum mortgage for which the Borrower can qualify.

   (b) Maximum DALP loan amount can be up to $100,000 or 20% of the Purchase Price whichever is less. Qualifying loan amounts are based upon a graduated scale depending on income levels, adjusted by household size, not to exceed 120% median income and debt to income ratio. At no time shall the DALP funds exceed 20% of the total Purchase Price. The maximum loan available per household depends on the household's income in relationship to the Area Median Income (AMI).

Household Income	80% AMI and under	81%-90% AMI	91%-100% AMI	101%-110%	111%-120%
Loan Limits	Up to $100,000.00	Up to $90,000.00	Up to $80,000	Up to $70,000	Up to $60,000

2. **Repayment:** The Downpayment Assistance Loan is deferred for forty (40) years from the date of the initial purchase or until the sale of the property or the rental of the property without the prior approval of the City (in accordance with specified temporary rental guidelines). As of the closing date of the sale or rental occurs, the loan is due and payable. The payoff amount due by Borrower is (i) the principal amount of the loan plus (ii) the proportional share of the appreciation of the property.

   The proportional share shall be based on the ratio of the original downpayment assistance loan amount to the Purchase Price of the property or the fair market value of the property at the time of purchase; whichever is higher (both called hereafter the "Purchase Price"). At the time that the property is sold or rented or refinance, the City will determine the value of the property at that time (hereafter the "sale price") . The value of the property at sale is the contracted sale price or the Fair Market Value at the time of refinance.
   The amount of appreciation is determined by subtracting the original purchase price to the borrower at the time of purchase from the sales price or fair market value at the time of sale or rental or refinance. The Fair Market Value shall be the sales price or the appraised value of the property at the time of repayment, whichever is higher. If the property has not increased in Fair Market Value, the Borrower shall be obligated to repay the principal amount of the loan only.

   Example of Loan Term: If the borrower receives the DALP loan in the amount of $70,000 with the purchase price of $500,000, the share appreciation would be 14%.

$70,000 DALP Loan Amount	**=**	**14% of share Appreciation**
$500,000 Purchase Price		

3. **Prepayment Penalty:** There is no prepayment penalty associated with payment of these loans prior to the due date (sale or rental). However, prepayment must be in full; the loan cannot be partially repaid.

4. **Documentation and Security:** The following documents shall be executed by the Borrower to secure the loan after satisfaction of all requirements for funding:

   a. **Loan Commitment Letter** – ratified by Borrower, accepting the loan terms and conditions, expires in 45 days from the date of the commitment.

   b. **Deed of Trust -** executed at the close of the sale by the Borrower, for the benefit of the City and County of San Francisco to secure the Promissory Note.

   c. **Promissory Note** - executed at the close of the sale by the Borrower for the benefit of the City and County of San Francisco and secured by the Deed of Trust.

5. **Compliance with Federal, State and Local Laws and Ordinances:** Program funds shall be used in accordance with Federal, State and Local Laws, regulations and directives as they apply.

G. GENERAL LOAN REQUIREMENTS AND POLICIES:

1. **Hazard Insurance:** For the life of the loan, each Borrower will be required to maintain hazard insurance, including fire and extended coverage with a loss payable endorsement to the City and County of San Francisco.

2. **Title Insurance Policy:** The outstanding principal balance of the downpayment assistance loan must be covered by an ALTA Lender's Policy of Title Insurance naming the City and County of San Francisco as it interests appear.

3. **Non-Discrimination and Privacy Requirements:** All applicant eligibility requirements contained in this manual must be applied without regard to the race, creed, color, gender, religion or national origin of the applicant. Lenders shall be sensitive to the privacy interests of the applicants, and should use the information received only for purposes of verifying the applicants' eligibility for a downpayment assistance loan. It should be noted that all applicants to the downpayment assistance program are subject to the requirements of the Sunshine ordinance and may have any records provided to the City become a matter of public information upon appropriate request.

H. SAMPLE CALCULATIONS OF ELIGIBLITY:

The following examples illustrate the possible scenarios of funding eligibility for various DALP amounts given the variables in levels of income, household size, property price, Available Assets, and primary loan amount.

Example :

Total Combined income for a family HH of 4 at 100% AMI:	$99,400
Purchase price of a property:	$500,000
Borrower Down Payment:	$30,000
First Mortgage:	$400,000
DALP Loan Amount:	$70,000
Interest Rate:	5%
Term:	30 yr fix
Total other monthly debt:	$200
Total Front-End Ratio:	33.24%
Total Back-End Ratio:	35.65%
Total CLTV:	94.00%

I. SAMPLE CALCULATION OF REPAYMENT OBLIGATION

The following examples illustrate the possible repayment scenarios at resale or refinance:

Example 1:

New FMV or Resale Price:	$550,000
Original Purchase Price:	(500,000)
Appreciation:	$ 50,000

Computation of City's Proportional Share City DALP ($70,000) / Original Sale Price ($500,000):	14%
Share of Appreciation 14% x $50,000:	$7,000
Original Principal Amount of Loan:	$70,000
TOTAL REPAYMENT AMOUNT DUE:	$77,000

J. LENDER'S PROGRAM PROCEDURES

Eligible Borrowers apply for downpayment assistance loans through Participating Lenders. Participating Lenders may submit applications only after determining that the Borrower is eligible for a first mortgage and appears to be eligible for the City's downpayment assistance loan. Borrowers' applications must be complete with all required attachments, including a ratified purchase agreement for the purchase of a specific property.

The program's processing procedures are designed to coincide with the standard loan processing and underwriting procedures that are in place at most mortgage lending institutions. Recognizing that there are procedural variations among the lenders, the procedures outlined herein may vary somewhat from lender to lender. However, the lender, the City and the borrower must complete all the steps of processing described in this manual.

The Mayor's Office of Housing will act as the Program Administrator. If the City habitually receives incomplete or incorrect applications from a particular lender, the City may discontinue the use of the lender as participating in the program.

DALP PROGRAM PROCESS

1. Borrower's Responsibilities:

- Borrower will be required to complete an approved first-time homebuyer education course. A copy of Homebuyer Education Certificate must be included with the application package.
- Enters into a purchase agreement with a seller.
- Applies to a Participating Lender for Primary Mortgage Loan.
- Provides a signed and dated Loan Application for a Downpayment Assistance Loan
- Provides a signed and notarized copy of Income Tax Affidavit (DALP-3)-if applicable
- Provides a signed and notarized copy of Unemployed Affidavit-if applicable
- Provides a signed and notarized copy of the First Time Homebuyer Affidavit (DALP-4).
- Provides a signed HomeownershipSF Consent Form
- Provides a signed and notarized copy of the General Release and Waiver of Liability.
- Pay non-refundable application fee in the amount of $500 in cashier check; payable to the City and County of San Francisco. $600 if use MCC program together with DALP.
- Provides income verification documentation as required by the guidelines to establish program eligibility.
- Self-employed borrower must provide a signed and notarized copy of Self-Employed Affidavit,
  - All Profit and Loss statements from the past 3 years (Schedule C)
  - A notarized estimated Profit and Loss statement for the current year
  - Copies of all invoices and payments made to the applicant as a part of self-employment in the current calendar year.
- Upon approval of downpayment assistance loan, the borrower signs a copy of the City's loan commitment letter indicating acceptance.

2. Lender's Responsibilities:

- Lender will ensure that participating loan officers receive training from MOH on a regular basis, and keep current on the products available to first time, low-moderate income homebuyers
- Lender receives an application from a borrower who has undergone counseling from a Homebuyer Education Counseling Agency
- If a Lender receives an application from a borrower who does not possess a Homebuyer Education Counseling Certificate, Lender will refer borrower to a counseling agency to complete the workshop before submitting an application to the City
- Lender will work with borrower and counseling agency to apply for all available subsidies and programs for which the borrower qualifies.
- Performs Standard Lender underwriting process.

Submits to the City:

THE APPLICATION PACKAGE MUST BOUND IN LEGAL SIZE MANILA FOLDER WITH TWO FASTENERS

- Program Application received from applicant *[DALP-1]*
- Non-refundable application fee, a cashier's check from the Borrower(s) in the amount of $500 (or $600 if use MCC program together with DALP)
- Fully executed Lender's Certification *[DALP-2]*
- Borrower's household income verification documentation (three current and consecutive pay stubs or provide a copy of current Profit and Loss Statement if self employed.
- Last three years of Federal Income Tax Returns (signed and dated), along with corresponding schedules and W-2s.
- Income Tax Affidavit (if applicable) *[DALP-3]*
- First Time Homebuyer Affidavit *[DALP-4]*
- Homebuyer Education Certificate
- HomeownershipSF Consent Form
- Financial Statements (declaration of Assets)
- Gift letter (if applicable)
- Sign IRS Form 4506.
- Preliminary Title Report
- Wire Instructions
- Receipt for Escrow Deposit
- Ratified Sales Agreement (including all counter offers).
- A copy of Inspection or Contractor Report of the Property

- The General Release and Waiver of Liability.
- Fair Market Value Appraisal
- First mortgage loan application (1003)
- First Mortgage Approval Letter and 1008 form from Lender
- A Copy of Good Faith Estimate (GFE) or Estimated Settlement Statement (HUD-1)
- A copy of Borrower's Credit Report

3. **City Responsibilities**:

- Reviews loan package to ensure completeness of forms and substantiating documentation.

- Evaluates Borrower eligibility.

- MOH will forward a letter of approval (commitment letter) or denial to the lender (via email) within 10 working days of receipt of completed package**.** From the day of commitment, we will need another 7 working days for funding.

- Borrower must sign the commitment letter and return to the City within 5 working days.

- After we receive the commitment letter back, we will email the escrow instructions and loan documents to the title company.

The following closing documents must deliver to MOH for review before funding:

- The executed original City notes (DALP Note);
- Certified copy of the executed City notes (DALP Note);
- Certified copy of the executed City deeds (DALP Deed);
- Certified copy of the Grant Deed;
- Certified copy of the Requested for Copy of Notice of Default;
- Certified copy of the First Deed of Trust;
- Certified copy of the First Note;
- Certificate of Homeowner Insurance Policy;
- An estimated HUD-1 Settlement Statement; and
- Any other liens behind the City loans.

All the above requested documents must deliver 4 working days in advance before request for funding.

Funds will be wired to the escrow account after we receive all closing documents requested in item 4 by 11 a.m., the fund will be wired in the 4th working days. If we receive the closing documents after 11 a.m. the fund will be wired on the 5th working day.

- Funding as specified in the commitment letter will be placed on reserve for a period of 45 days from date of the commitment. . If for any reason, escrow cannot close within the commitment period, please notify the Mayor's Office of Housing immediately.

- Monitors Borrowers throughout the life of the loan to ensure compliance with residency requirements.

All loan packages will be processed by the City according to the date of receipt. All required documents must be included in the application package. Incomplete packages will delay the processing of the application and may be returned for completion.

MOH's approval is final, if the first mortgage loan amount & term changes before close escrow, additional documents must be submitted to City for reassess the DALP loan amount.