

**OWNER OCCUPIED REHABILITATION PROGRAM  
SPONSORED BY CALHOME**

Revised Jan 2015

***POLICY AND PROCEDURES MANUAL  
CITY OF SOUTH EL MONTE***

## **BACKGROUND/HISTORY**

The City of South El Monte has an allocation of State CalHome funds available for owner-occupied housing rehabilitation to qualified borrowers. This funding is administered in accordance with Guidelines adopted by the State Department of Housing and Community Development (HCD). Funds are provided to qualified households in the form of a 30-year, deferred-payment mortgage. The CalHome Owner-Occupied Rehabilitation Program loan helps homeowners by providing financial assistance to correct or rehabilitate health and safety and/or code violations.

## **GOAL**

The City's goal is to preserve the quality and value of housing stock by assisting certain extremely low, very low, and lower income homeowners with a loan for home improvement repairs in order to rehabilitate such homes. The CalHome Funds are used to provide financial assistance to property owners who meet certain property requirements, applicant requirements, improvement requirements, and income limit requirements. The maximum loan amount per applicant in any year (i.e., July 1 of one calendar year through June 30 of the next calendar year) **cannot exceed \$30,000**.

### **A. PROGRAM ELIGIBILITY CRITERIA**

#### **1. Application Selection**

- a. Homeowner requests or obtains a Program application, completes the complete the application and returns it to the City. Staff reviews the application, sends an acknowledgement letter to Applicant, and adds Homeowner to waiting list. Eligible homeowner(s) will be qualified on a first-come, first-served basis; however, applicants with serious health and safety issues and/or code violations may be given a higher priority based on staff determination.

#### **2. Eligible Homeowner**

- a. An individual or individuals or an individual and his or her spouse who meets the income eligibility requirements and is/are currently on title to the real property. All persons in the residence are considered household members for the purposes of income eligibility. The housing unit shall be the principal residence of the Homeowner at the time of application and throughout the life of the loan.

#### **3. Household Size**

- a. Any person whose primary residence is the housing unit being rehabilitated is considered a member of the household. You may not count, as part of your household, foster children, unborn children and children not living in the home. Children with two residences may only be counted if the child lives with the qualified applicant 50% of the time.

#### **4. Household Income**

- a. The CalHome borrower household must have a gross annual income no exceeding 80% of county median income for the size of the household. For program eligibility, the total annual income includes income of all adult members of the household over the age of 18 years old. Income also includes income from assets over \$5,000 calculated at 2.5% of the value of the asset. Borrower must be income qualified not more than 180 days prior to the closing of their loan.

## ELIGIBLE INCOME CRITERIA

The gross income of all household residents eighteen (18) years old or older cannot exceed the Los Angeles County Area Income Limits listed below:

2014

	NUMBER OF PERSONS IN THE FAMILY							
	1	2	3	4	5	6	7	8
Lower:	47,850	54,650	61,500	68,300	73,800	79,250	84,700	90,200

### NOTE:

Qualifying income levels are determined and revised annually by the United States Department of Housing and Urban Development (HUD); the phrase “persons and families of lower income” as used in these First Time Homebuyer Loan Program Guidelines include extremely low, very low, and lower income households.

### 5. Credit Worthiness

- a. Any factors such as credit history, cost of repairs, amount of equity in the property and size of loan will influence the decision to approve or disapprove a particular loan. Prior bankruptcies and/or foreclosures will be taken into consideration and a determination will be made based on the circumstances. A credit report will be necessary from all applicants and a minimum FICO score of 600 is required to be eligible for the loan.

### 6. Housing Unit Eligibility

- a. Housing units eligible for the program must be owner-occupied, located within City of South El Monte limits, be out of compliance with at least one State and local codes and ordinances, and have sufficient equity to support the CalHome program loan. Housing units include single-family detached houses or manufactured homes. Rental property and life estates are not eligible under this program. Property must not be encumbered by federal and/or state tax liens, or other judgments which may adversely impact title to the property. The after-rehabilitation value of the home cannot exceed the current median sales price of a single-family home in Los Angeles County.

### 7. Eligible/Ineligible Repairs

- a. Work necessary to meet local building code requirements or locally-adopted rehabilitation standards to primarily to meet health and safety repairs. Secondary improvements may be energy-related improvements; lead-based paint hazard mitigation, improvements for handicapped accessibility, repair or replacement of major housing systems, and repairs and general property improvements of a non-luxury nature are eligible activities.
- b. Ineligible activities include creation of a secondary housing unit, installation of luxury items, costs of equipment, furnishings or other personal property not an integral structure fixture, labor costs for homeowners to rehabilitate their own property, and purchase, installation or repair of furnishings which are personal, rather than real, property.

**8. Work Write-Up**

- a. The City Inspector will conduct a property inspection including reviewing the property condition with the Homeowner and developing a deficiency list, recommended repairs and preliminary cost estimate.

**9. Construction Management**

- a. Only contractors who possess a current State contractor's license and are bonded are allowed to perform repairs.
- b. Contractors must obtain required building permits, completes work per their contract and schedule necessary final inspections. Rehabilitation work will be monitored by the Housing Coordinator for compliance with specification set forth in the work write-up and construction contract.
- c. Payment will be made upon receipt of contractor's invoice. Staff will confirm that all business licenses, permits, and pre-build inspection copies are in the file. Upon confirmation, the City will issue 10% of the contract.
- d. Once 50% of the work is completed, verified by the City Inspector, and invoice is received, an additional 40% will be disbursed to contractor.
- e. Once homeowner's satisfaction with job, final inspection is conducted by City Inspector and final invoice is received; the City will have thirty days from the date of work completion, to release payment if there have been no mechanics liens filed with the County Recorder.
- f. The contractor must guarantee all work, materials, and workmanship for a minimum of one year.

**10. After-Rehabilitation Value**

- a. The after-rehabilitation value of the home cannot exceed the current median sales price of a single-family home in Los Angeles County.

**11. Minimum Loan Amount \$500.00**

**12. Maximum Loan Amount \$30,000.00**

**13. Interest Rate**

- a. This loan is a 0% simple interest and must have continuous owner-occupancy of property.

**14. Term**

- a. 30 years as long as the residence continues to be owner-occupied; the entire loan is due and payable when the home is no longer occupied by borrower.

**15. Maximum CLTV**

- a. The loan-to-value ratio for the CalHome Program loan, when combined with all other indebtedness to be secured by the property, shall not exceed one hundred percent (100%) of the property value at the time the loan is made.

**16. Subordination**

- a. The City of South El Monte will only subordinate to a first trust deed loan if the primary loan has a fixed interest rate, is fully amortized, and is provided by an institutional lender when the interest and/or term are reduced, to pay-off documented and verified medical costs, or to pay-off documented and verified capital improvements on the subject property. Neither debt consolidation nor cash-out is permitted.

**17. Loan Repayment**

- a. Loans shall be repayable upon sale or transfer of the property, when the property ceases to be owner-occupied, or upon the CalHome program loan maturity date. Program loans are not assumable. However, in some limited circumstances, the original loan might be transferrable. Borrower may begin making voluntary payment to the City at any time.

**18. Loan Monitoring**

- a. To ensure adherence to program requirements, the City will monitor owner-occupancy, property tax payment, hazard insurance coverage, payment of primary loans, and general upkeep of housing unit.