

Housing Successor Agency of the City of San Pablo

SPLASH FIRST-TIME HOMEBUYER AND RESIDENTIAL REHABILITATION LOAN PROGRAM GUIDELINES

1. INTRODUCTION

The San Pablo Loan Assistance for Sustainable Housing Program (“Program” or “SPLASH”) provides loans to income-qualified, first-time homebuyers who wish to purchase a home in the incorporated City of San Pablo and provides rehabilitation loans for deferred maintenance and/or to alleviate significant health and safety issues. **The Program is funded through the Low and Moderate Income Housing Asset Fund of the HSA.**

The Housing Successor Agency (“HSA”) of the City of San Pablo is implementing SPLASH through its program administrator, the San Pablo Economic Development Corporation (“SPLASH Administrator,” “Program Administrator,” or “San Pablo EDC”).

These SPLASH Guidelines (“Guidelines”) describe loan terms, eligibility requirements, and procedures. Users of these Guidelines are encouraged to seek their own legal counsel to aid in understanding the requirements of the Program. For any general questions regarding the Program or these Guidelines, users may call the San Pablo EDC at (510) 215-3200.

The effective date of these Guidelines is November 18, 2024. The HSA will review, and to the extent necessary, update these Guidelines on an as-needed basis. The HSA may approve minor revisions, interpretations, or clarifications to these Guidelines. Any such revision, interpretation, or clarification shall become effective when posted on the City’s website, www.sanpabloca.gov.

All persons have the right to file a written application for a Program loan. Loans may be made to eligible individual members of a household. Loans to corporations, partnerships, or syndications are not permitted.

The HSA does not discriminate in granting or denying loans or in setting terms and conditions of a loan with regard to race, color, age, religion, sex, gender, gender identity, gender expression, sexual orientation, marital status, national origin, ancestry, familial status, source of income, disability, veteran or military status, or genetic information of the Applicant; nor with regard to the racial or ethnic composition of the neighborhood, geographic areas surrounding the property, or with regard to income derived from any public assistance program.

2. DEFINITION OF TERMS

As used in these Guidelines, the following terms shall be defined as follows:

Administration Fee: A \$100 nonrefundable fee is owed at the time an application is submitted. A \$900 nonrefundable lender's fee will be charged to the Borrower for the processing and servicing of the Program loan at closing. Fees may be adjusted from time to time by the HSA.

Administrator: The San Pablo Economic Development Corporation ("San Pablo EDC").

Applicant(s): A person(s) that has submitted an application for a Program loan.

Area Median Income (AMI): Area Median Income means, pursuant to California Health and Safety Code Section 50093, the median family income for Contra Costa County, as annually estimated by the United States Department of Housing and Urban Development pursuant to Section 8 of the United States Housing Act of 1937.

Borrower(s): A person(s) that has been approved for or has received a SPLASH loan.

City: The City of San Pablo.

City Council: The current legislative body of the City of San Pablo.

City Staff: An employee or designee of the City of San Pablo responsible for actions related to the Program or these Guidelines.

First Responder: A person who is certified and employed as a paramedic, emergency medical technician, police officer, or firefighter for the purpose of qualifying for priority application consideration. This person is referred to as a SPLASH-qualified First Responder.

First-Time Homebuyer: A person who has not owned any interest in real property during the three-year period prior to the date of the person's loan application, including without limitation, real property in which a person's name appears on the title regardless of whether (a) the person's interest in such property results in a financial gain, (b) such property is located in another state or country, or (c) the person has occupied such property as his or her primary residence. If any person has had his or her name on the title of a property, but the property was sold more than three years prior to the date of the person's loan application, the person may be considered a First-Time Homebuyer.

Gross Household Income: All income, from whatever source derived, of all adult household members (18 years of age and older) who will be living in the unit anticipated for a 12 month period following the date of determination of income, as defined in the California Code of Regulations (CCR), Title 25, Section 6914. Refer to Section 4.2.1 for a list of income sources and exceptions.

Guidelines: These SPLASH Guidelines.

HCD: The California Department of Housing and Community Development.

HOA: A Homeowners Association.

Homebuyer Education Class: An in-person or online HUD, Fannie Mae, or HSA-approved course designed to provide basic education for First-Time Homebuyers. The date on the completion certificate for the class must be within six months of the date of application for a Program loan.

Housing Expenses: Principal, interest, private mortgage insurance, taxes, insurance, and HOA dues.

HSA: The Housing Successor Agency of the City of San Pablo. The HSA is a function of the City which elected to retain and perform the housing functions previously performed by the now-dissolved Redevelopment Agency of the City of San Pablo.

HUD: The United States Department of Housing and Urban Development.

Incorporated City of San Pablo: The geographic area that formally constitutes the incorporated city boundaries of San Pablo as defined by the Local Agency Formation Commission (LAFCO) and whose residents are subject to the property-related municipal taxes and bonds, and whose businesses are subject to city-defined sales tax. A map of this area may be found at <https://california.hometownlocator.com/cities/map,n,san%20pablo-ca,fid,1659586.cfm>.

Legal Resident: A citizen or other national of the United States or a qualified alien as defined by the Federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

Maximum Income: The maximum income for the low income category determined periodically by HCD based on AMI. See Section 4.2.1 of these Guidelines for maximum incomes.

Low Income: Total household income that is not greater than 80% of AMI, adjusted for actual household size. Under no circumstances will any fraction of a percent in excess of 80% AMI be a part of a qualified low income household application.

Principal Residence: The place where a person resides on a substantially full-time basis during not less than 10 months per year. Children attending college and not living at home as their principal residence may not be counted as a household member.

Program: The SPLASH Program and related activities.

Qualified Household: An Applicant household that satisfies the requirements listed in Section 4 of these Guidelines.

San Pablo EDC: The San Pablo Economic Development Corporation, a 501(c)(3) nonprofit public benefit corporation.

Senior: A person 62 years of age or older for the purpose of priority application consideration.

Shared Appreciation: A type of loan in which the lender receives a percentage of the appreciation in the home's value as consideration for providing the loan.

Teacher: A person who teaches or works at an accredited K-12 school at which at least 30% of the enrolled students live in the City of San Pablo for the purpose of qualifying for priority application consideration. This person is referred to as a SPLASH-qualified Teacher.

Total Household Income: All gross household income and assets (as calculated pursuant to Section 4.2.1).

Unit or Home: The qualified residence to be purchased or rehabilitated using a Program loan as further described in the Eligible Properties section of these Guidelines.

Veteran: A person who served in the active military service and who was discharged or released therefrom under conditions other than dishonorable for the purpose of priority application consideration.

3. LOAN TERMS

3A. First-Time Homebuyer Downpayment Assistance Loans

3A.1. Overview of Loan Terms

Borrower Eligibility:	Borrower and Borrower’s household must meet income requirements. In addition, the Borrower must agree to continuously occupy the property as his/her principal residence and must certify owner occupancy annually by submitting an Annual Compliance Form (Exhibit A). Failure to maintain the owner-occupancy requirement shall be a default of the terms of the Program loan.
Co-Signatories:	Not allowed. Only the approved Borrower’s name(s) may be on the documents, including the deeds.
Down Payment:	Borrower must provide the minimum downpayment required by their primary loan.
Ineligible Applicants:	Those individuals with perceived or real conflicts of interest regarding the SPLASH funding, how it is allocated and how SPLASH loan decisions are made, including those individuals living in their household, may not apply for a Program loan. This includes, but is not limited to, members of the San Pablo City Council and members of the San Pablo EDC Board.
Inspection Reports:	The Borrower must submit a completed home and pest inspection report to the Program Administrator as early as possible but no later than ten (10) days before close of escrow.
Loan Amount:	Up to 20% of the home purchase price, with a maximum of \$100,000, including non-recurring costs such as credit report, escrow, closing activity delivery and recording fees, title report and title insurance, title updates and or related costs.

Loan Interest: The greater of: (a) shared appreciation (see examples in Section 3.5); or (b) three percent (3%) per annum simple interest.

3A.2. Financing Requirements

Loan-to-Value Ratio: The total of all loans encumbering the home being purchased using a Program loan cannot exceed 100 percent of the home purchase price plus a maximum of up to 5 percent of the home purchase price to cover actual closing costs.

Loan Length/Term: Up to 30 years and not to exceed the term of the primary loan.

Loan Type: The loans made through the SPLASH Program will be deferred payment (also known as “silent second”) loans. The payments on the loan will be deferred for 30 years. The loans are due in full upon circumstances that include the sale, lease, or transfer of the home purchased using a Program loan or failure of the Borrower to occupy the home as the Borrower’s primary residence, as more particularly described in the SPLASH loan documents. The loans are not assumable. Transfer of interest exceptions that do not require repayment are more particularly described in the SPLASH loan documents.

Position on Title: The deed of trust securing the Program loan must be in no less than third position on title behind only a primary purchase-money mortgage loan and, if applicable, a second mortgage loan under CalHome, CalHFA, MyHome or similar program. The need for a second mortgage loan other than the Program loan and the type of that second mortgage loan shall be subject to approval by the HSA.

Prepayment: Borrower may prepay the Program loan at any time without penalty.

Property Eligibility: Homes must be located within the Incorporated City of San Pablo and may be a single family home, condominium or townhome. Multi-family properties or manufactured homes are not eligible.

Use of Funds: Program loan funds may only be used for down payment assistance or non-recurring closing costs. Borrower shall not use Program loan funds to finance repairs, room additions, or to purchase any non-real property. No cash out at close of escrow is allowed.

All Applicants must be able to secure a primary home loan through a lending institution. Applicants may use a lender of their choice, provided that the lender adheres to these Guidelines for acceptable loan products. Applicants must provide a pre-approval letter from their chosen lender at the time of application for a SPLASH loan.

3A.2.1. Acceptable Primary Loan Products

The first mortgage obtained for the purchase of the home must have a term of 30 years, be of a fixed interest rate, and require fixed payments over the life of the loan. The HSA reserves the right to reject loan products for primary loans if the HSA believes in its sole discretion that there is a strong likelihood that the primary loan product would potentially result in a loss of Program loan funds.

3A.2.2. Unacceptable Primary Loan Products and Mortgage Features

The following loan products and mortgage features are generally unacceptable to the HSA:

- Interest-only loans
- Negative amortizing loans
- Adjustable rate loans
- Balloon payment loans
- Lines of credit that exceed the resale price of the home
- Stated income loans
- Excessive points and fees (more than what is typical of the market at the time)

3A.2.3. Borrower Contribution

The Borrower is required to make the minimum downpayment required by their primary loan for the home purchase price. Funds must be placed into escrow prior to the close of escrow and must come from acceptable sources and be verified and properly documented per Federal Housing Administration (FHA) guidelines.

Cash transactions and oral agreements are prohibited outside of escrow. Any agreements on the side between buyer and seller, buyer and real estate broker or owner and contractor are prohibited. All agreements have to be included in the purchase agreement or escrow instructions.

3A.3. Property Inspection Reports

The Borrower must obtain and provide pest inspection and home inspection reports for the home from licensed professionals. The pest inspection report must confirm that the structure is sound and any noted pest infestations must be resolved as recommended in the report. The home inspection report must cover all major systems, including, but not limited to, electrical, plumbing, and drainage, as well as the foundation, paint, and appliances. Reports should be provided to the Program Administrator as early as possible but no later than ten (10) days before close of escrow to ensure funding and a timely close of escrow.

3A.4 Insurance

The Borrower must obtain title insurance in the amount of the Program loan at close of escrow. Borrowers must maintain insurance on the home purchased using the Program loan in an amount at least equal to the replacement value of the improvements and the City of San Pablo must be named as an additional loss payee on the policy.

3A.5. Recorded Loan Documents

The Program Administrator will prepare, and the Borrower will sign, a set of documents that describe the agreed-upon loan terms and ongoing Program requirements. These SPLASH loan documents will be executed at the close of escrow and, as applicable, recorded on the home's title. Program Administrator Staff will discuss the basic provisions of these documents with the Borrower(s) at the in-person consultation prior to the close of escrow; however, Borrower(s) should review these documents thoroughly prior to signing.

3A.6. Loan Interest/Shared Appreciation

Upon the sale or other transfer of the home purchased using a Program loan (including a refinancing), or the occurrence of any default event, the Borrower must pay the HSA the loan principal as well as loan interest. The loan interest is the greater of: (a) shared appreciation equal to the portion of the home's appreciation attributable to the Program loan (see examples below); or (b) three percent (3%) per annum simple interest. The shared appreciation is based on the amount of the SPLASH loan in proportion to the original purchase price of the home and the amount by which the property has increased in value, based on an appraisal to determine the fair market value of the property at the time of the sale or other transfer of the home (including refinancing) or the default event.

Example 1:

The Borrower purchased a home for \$500,000, and the HSA provided a SPLASH loan of \$100,000. The loan amount (\$100,000) is equivalent to 20% of the purchase price. The Borrower pays back the loan when due 30 years later and the home is determined to be worth \$1,100,000. The home has appreciated by \$600,000 ($\$1,100,000 - \$500,000 = \$600,000$).

The shared appreciation to the HSA would be \$120,000 ($\$600,000 \times 20\% = \$120,000$). Simple interest to the HSA would be \$90,000 ($\$100,000 \times 3\% \times 30 \text{ years} = \$90,000$). The shared appreciation amount is greater and is therefore the loan interest.

The Borrower would owe the HSA a total of \$220,000 (\$100,000 in principal and \$120,000 in loan interest).

Example 2:

The Borrower purchased a home for \$500,000, and the HSA provided a SPLASH loan of \$100,000. The loan amount (\$100,000) is equivalent to 20% of the purchase price.

The Borrower pays back the loan after 8 years, and the home is determined to be worth \$500,000. The home has not appreciated in value.

The shared appreciation to the HSA would be \$0 because the home has not appreciated in value. Simple interest to the HSA would be \$24,000. The simple interest amount is greater and is therefore the loan interest.

The Borrower would owe the HSA a total of \$124,000 (\$100,000 in principal and \$24,000 in loan interest).

3B. Residential Rehabilitation Loans

3B.1. Overview of Loan Terms

Borrower Eligibility:	Borrower must currently own and occupy a home in the City of San Pablo and Borrower's household must meet income requirements. Borrower must also be in good standing with the City and County (e.g., no outstanding overdue property taxes, no unpermitted work citations that have not been resolved, etc.). In addition, the Borrower must agree to continuously occupy the property as his/her principal residence and must certify owner occupancy annually by submitting an Annual Compliance Form (Exhibit A). Failure to maintain the owner-occupancy requirement shall be a default of the terms of the Program loan.
Co-Signatories:	Not allowed. Only the approved Borrower's name(s) may be on the documents, including the deeds.
Borrower Contribution:	Borrower must provide a minimum contribution of five percent (5%) of the contract amount for the rehabilitation work.
Ineligible Applicants:	Those individuals with perceived or real conflicts of interest regarding the SPLASH funding, how it is allocated and how SPLASH loan decisions are made, including those individuals living in their household, may not apply for a Program loan. This includes, but is not limited to, members of the San Pablo City Council and members of the San Pablo EDC Board.
Appraisal Report:	The Borrower must obtain an appraisal of the home and be able to demonstrate that he/she has at least thirty percent (30%) equity in the home. If the Borrower demonstrates that the home is not encumbered by any mortgage or other loans, no appraisal shall be required.
Loan Amount:	Up to a maximum of \$40,000. The loan shall be disbursed as progress payments in accordance with the signed contract between the Borrower and the contractor.
Loan Interest:	Five percent (5%) per annum simple interest.

3B.2. Financing Requirements

Loan-to-Value Ratio:	The total of all loans encumbering the home cannot exceed seventy percent (70%) of the appraised value.
Loan Length/Term:	Up to 30 years.
Loan Type:	The loans made through the SPLASH Program will be deferred payment (also known as “silent second”) loans. The payments on the loan will be deferred for 30 years. The loans are due in full upon circumstances that include the sale, lease, or transfer of the home rehabilitated using a Program loan or failure of the Borrower to occupy the home as the Borrower’s primary residence, as more particularly described in the SPLASH loan documents. The loans are not assumable. Transfer of interest exceptions that do not require repayment are more particularly described in the SPLASH loan documents.
Position on Title:	The deed of trust securing the Program loan must be in no less than third position on title behind only a primary mortgage loan and, if applicable, a second mortgage loan under CalHome, CalHFA, MyHome or similar program.
Prepayment:	Borrower may prepay the Program loan at any time without penalty.
Property Eligibility:	Homes must be insured and located within the Incorporated City of San Pablo and may be a single family home, condominium or townhome. Multi-family properties or manufactured homes are not eligible.
Use of Funds:	Program loan funds may only be used to pay the contract amount of the rehabilitation work.

3B.3. Acceptable Rehabilitation Contracts

All Applicants must submit a proposal from a licensed contractor who also has a City of San Pablo business license and provides evidence of satisfactory insurance. No loan will be made where the contractor is requesting more than a standard ten percent (10%) deposit from the homeowner. Reference checks on the contractor are the responsibility of the Borrower. Prior to close of escrow, the signed contract shall be provided to the Program Administrator for approval as to consistency with these Guidelines. The contract between the Borrower and the contractor shall provide for progress payments that mirror the City's permitting and notice of completion process with ten percent (10%) held in reserve as described below. Contract payments (and correspondingly loan disbursement) shall generally be as follows:

- 10% upon evidence of submitted plans by contractor to City Plan Check

- 20% upon contractor pulling permit(s) (copies must be provided to the Program Administrator)
- 60% upon rehabilitation work passing City inspection (copy must be provided to the Program Administrator)
- Final 10% upon completion of punch list items and contractor signing notice of completion taking full responsibility to pay any subcontractors within thirty (30) days

3B.4 Insurance

The Borrower must maintain insurance on the home in an amount at least equal to the replacement value of the improvements and the City of San Pablo must be named as an additional loss payee on the policy.

3B.5. Recorded Loan Documents

The Program Administrator will prepare, and the Borrower will sign, a set of documents that describe the agreed-upon loan terms and ongoing Program requirements. These SPLASH loan documents will be executed at the close of escrow and, as applicable, recorded on the home's title. Program Administrator Staff will discuss the basic provisions of these documents with the Borrower(s) at the in-person consultation prior to the close of escrow; however, Borrower(s) should review these documents thoroughly prior to signing.

3B.6. Loan Interest

Upon the sale or other transfer of the home rehabilitated using a Program loan (including a refinancing), or the occurrence of any default event, the Borrower must pay the HSA the loan principal as well as loan interest. The loan interest is five percent (5%) per annum simple interest.

4. HOUSEHOLD QUALIFICATIONS

4.1. Household Qualifications

Assets: The Applicant household may not have more than \$250,000 in total assets, excluding pensions and federally approved pre-tax savings accounts.

Credit: Eligible Applicants must have a minimum FICO credit score of 620 (see Section 4.2.2) and shall have a minimum of four years since Chapter 7 or Chapter 13 bankruptcy discharge. Persons with records of deeds-in-lieu of foreclosure or judicial or non-judicial foreclosure are subject to a seven-year waiting period before they may be considered for a SPLASH loan.

Debt to Income Ratio (First-Time Homebuyers Only): Homebuyers' proposed debt (based on current liabilities and proposed housing payment) may not exceed 40% of the household's monthly income (see Section 4.2.4). Housing

cost may not exceed the limits prescribed in California Health and Safety Code Section 50052.5 and applicable regulations in Title 25 of the California Code of Regulations, Section 6910 *et seq.*

First-Time Homebuyer:	No Applicant/Borrower may have owned any interest in real property during the three-year period prior to submission of a complete Program Application.
Homebuyer Education:	All title holders of the home to be purchased using a First-Time Homebuyer Program loan must take a HUD-approved, Fannie Mae-approved, San Pablo EDC-approved or HSA-approved First-time Homebuyer Education Class and receive a certificate of completion. The certificate of completion must be dated within six months of submission of a complete Program Application.
Income Eligibility:	The Total Household Income must not exceed the HCD published Contra Costa County Income Limits for Low-Income Households pursuant to California Health and Safety Code Section 50079.5 at the time a complete Program Application is received.
Loan Preapproval:	Eligible Applicants for a First-Time Homebuyer Program loan must be preapproved for a primary home loan that conforms to the requirements established in Section 3.2.
Purchase Price:	Purchase price of property cannot exceed 100% of the median housing property price in the City of San Pablo as determined by the HSA.
Residency/Citizenship:	Eligible Applicants must be legal residents of the United States.

Applicant households may request exceptions to qualification requirements. Procedures for exception requests are described in Section 6.

4.2. Description of Qualification Requirements

4.2.1. Household Income

4.2.1.1. Maximum Total Household Income

To be eligible for a SPLASH loan, the Applicant's Total Household Income must not exceed the current Low-Income limit. Total Household Income means the household's Gross Household Income (see Section 4.2.1.2) plus assets calculated pursuant to Section 4.2.1.4. Maximum Income is determined annually by HCD based on Area Median Income.

4.2.1.2. Gross Household Income

Gross Household Income means all income from all adult household members (18 years of age and older) derived from all sources pursuant to Title 25 of the California Code of Regulations, Section 6910 *et seq.* Such income includes, but is not limited to, the following:

- Compensation received from an employer. Compensation includes, but is not limited to, salary, overtime pay, and other pay.
- Other pay can include, but is not limited to, compensation for special working conditions or one-time pay-out of unused vacation and sick leave.
- Alimony, spousal, and child support.
- Pensions, if at an age where pension is being received as income.
- Public benefits and assistance including, but not limited to, CalWorks, SSI and disability income.
- All interest, dividends and royalties.
- Rental income.
- Compensation for services rendered including fees, fringe benefits, commissions, tips and bonuses.
- Gambling winnings.
- Annuities, life insurance, and endowment contracts.
- Gross partnership contributions or distributions.
- Income from an interest in an estate or trust.
- Net income from the operation of a business or profession.

For purposes of determining Gross Household Income, each person 18 years of age or older must present all of the following:

- A complete set of federal and state income tax returns for the past two years, including all schedules (signed and dated) and W-2 forms (in the case where taxes have not been filed for any of the past three years, a letter of verification of non-filing from the Internal Revenue Service is required).
- Three most recent and consecutive pay stubs.
- Three most recent and consecutive statements for all financial accounts, including, but not limited to, savings accounts, checking accounts, retirement accounts, 401(K) accounts, stock accounts, and other accounts held in the Applicant(s) name(s), whether held individually or together.

- If a household member is self-employed, in addition to the information above, the member must submit profit and loss statements for the past three years (if applicable), and a current profit and loss statement for the year.

Exceptions: Gross Household Income does not include income earned by a household member who is between the ages of 18 and 26 and meets both of the following criteria:

- Is claimed as a dependent of a household member on such member's federal income taxes; and
- Is a full-time student (proof of enrollment must be provided).

4.2.1.3. Income Calculation

This Program has income targeting requirements for the Program and, therefore, the Program Administrator must determine if each household is income eligible by determining the household's annual income. The Program Administrator must calculate the annual income of the household by projecting the prevailing rate of income of the household at the time of the Program Application. Annual income shall include income from all household members.

- Wages and Salary. An Applicant's wages and salary will be annualized depending on pay frequency. Bonuses, commissions, and limited overtime may be calculated into the annual income calculation. In the case of unclear income or income that is somewhat difficult to calculate, Program Administrator will make the final determination.
- Variable Income. For Applicants who are part-time employees or employees with variable hours every pay period (or variable hours less than 40 hours per week), inconsistent income or hours, frequent overtime, bonuses, and commissions, etc., their annual salary will be calculated using year-to-date income, plus the previous year's income (from same income source or employer), divided by the number of months reviewed (up to but not exceeding 12 months) times 12 to arrive at their annual income.

If there is no previous year income from the same employer, or the job was started mid-year, the current income year-to-date using the calculation explained above will be used.

- Inconsistent or Temporary Change in Income Due to a Temporary Circumstance. If an Applicant has a temporary situation (seven months or less) that makes income calculation difficult, a verification of employment may be used to calculate the Applicant's income based on a normal annual time period. Or, the income may be calculated based on the person's hourly rate times their normal working hours (as described in b. above).
- Self-Employed or Non-Corporation. A self-employed Applicant is also considered to have variable income. Gross annual income calculations will be based on the previous two years' net income shown on Schedule C of the federal income tax returns, plus net income before taxes from the Applicant's signed, year-to-date Profit and Loss Statement, divided by the appropriate number of months (not to exceed 12 months) times 12 to arrive at the annual income.

4.2.1.4. Assets

An asset test will be applied to all Applicants to determine whether they satisfy the income requirements. If an Applicant has assets that exceed \$30,000, the following amounts will be added to the Applicant's Gross Household Income to determine the household's Total Household Income:

- 10% of all assets valued between \$30,001 and \$130,000
- 30% of all assets valued in excess of \$130,000

The maximum assets allowed are \$250,000. Households with assets in excess of \$250,000 will be disqualified. Assets include, but are not limited to, cash, all savings and checking accounts, stocks, bonds, real estate, gifts and other sources of money. Pensions and federally approved retirement savings accounts, such as IRAs, Roth IRAs, and 401Ks, are excluded; however, retired Applicants who receive income from their retirement account must include such income as Gross Household Income on their application.

Examples below illustrate the calculation for determining income with assets.

Example 1:

A household of three (3) earns \$50,000 a year and has \$150,000 in total household assets.

$\$150,000 - \$30,000 = \$120,000$ (which is less than \$130,000)

10% of \$120,000 = \$12,000

New Total Household Income: $\$50,000 + \$12,000 = \$62,000$

Example 2:

A household of three (3) earns \$50,000 a year and has \$200,000 in total household assets

$\$200,000 - \$30,000 = \$170,000$ (which is more than \$130,000)

10% of assets up to \$130,000 = \$13,000

30% of the remaining assets of \$40,000 = \$12,000

New Total Household Income: $\$50,000 + \$13,000 + \$12,000 = \$75,000$

4.2.2. Credit Score

All persons appearing on the SPLASH loan shall have a minimum FICO credit rating of 620 points from all three credit agencies.

4.2.3. Homebuyer Education Class for First-Time Homebuyers

Borrower(s) must successfully complete a HUD-approved, Fannie Mae-approved, San Pablo EDC-approved or HSA-approved First-Time Homebuyer Education Class prior to the close of

escrow and must provide the Program Administrator with evidence of completion. The completion date must be within six months of submission of a complete Program Application. Successful completion of the training must be evidenced by a Certificate of Completion which shall be presented as a condition of and prior to issuance of final loan approval by the HSA.

4.2.4. Debt to Income Ratio

Applicant(s) must have a debt to income ratio of no greater than 40%. This is determined by calculating the Applicant's monthly debt obligations, including (but not limited to) estimated monthly housing expenses, car payments, and other loan obligations and comparing it to the Applicant's Monthly Household Income. In addition, the total monthly housing cost for the household shall not exceed the limits prescribed in California Health and Safety Code Section 50052.5.

4.2.5. Program Preference

The program will give preference to households with one or more individuals in the following categories who are deemed to have a priority need for housing in the City of San Pablo:

- SPLASH-qualified Teacher
- SPLASH-qualified First Responder
- Senior
- Veteran

5. PROCEDURES

5.1. Loan Application, Approval, and Funding Procedures

The following are the general steps for qualifying for and finalizing a loan:

1. Review qualification requirements and complete Program Interest & Eligibility Form. Potential Applicants should review these Guidelines and confirm that they meet established qualification requirements. Applications should complete the Program Interest & Eligibility Form to understand more about the Program. Applicants who wish to receive a pre-qualification letter may choose to follow the process in Section 5.2.
2. First-Time Homebuyer education. Potential Applicants must complete a First-Time Homebuyer Education Class (see Section 4.2.3).
3. First-Time Homebuyers pre-qualify with a primary loan lender. Potential Applicants should work with a lender of their choosing to get pre-qualified to purchase a home. It is recommended that Applicants work with a lender that is familiar with available first-time homebuyer programs, including SPLASH. Potential financing must meet the requirements described in Section 3. This will be necessary for preparing a complete application and will give the buyers a clear understanding of the amount of money they are eligible to borrow for a home purchase. The HSA is available to speak with lenders to clarify Program terms and requirements.
4. First-Time Homebuyers execute a purchase contract. Potential Applicants should work with a real estate agent to find a desirable home for sale in the City of San Pablo. It is

recommended that Applicants work with a real estate professional that is familiar with available first-time homebuyer programs, including SPLASH. Prepare an offer and execute a purchase agreement on the home of your choosing.

Rehabilitation loan applications obtain contract proposal. Potential Applicants obtain a contract proposal from a licensed contractor.

5. Submit a SPLASH Application. Potential Applicants should submit a complete SPLASH application packet to the SPLASH Program Administrator. Be sure to include the required supporting documentation for income and asset verification. The application should be submitted at least four weeks prior to the scheduled close of escrow. For First-Time Homebuyers, steps 4 and 5 are interchangeable. A conditional pre-qualification letter may be issued (see 5.2 below) prior to the execution of a purchase contract for ease of submitting offers on properties. Note that a conditional pre-qualification letter is not a conditional approval letter.
6. SPLASH Program Administrator review and qualification determination. The SPLASH Program Administrator will make every effort to review the application and qualification materials and determine eligibility within 10 working days of receipt of a complete application. If approved, the SPLASH Program Administrator will send the Applicant a conditional approval letter. Applicants who are determined to be ineligible will receive a denial letter. The conditional approval letter provides initial program eligibility only. Funding will not be reserved until the Applicant has also provided all of the required documentation.
7. Loan documents. The SPLASH Program Administrator will prepare escrow instructions and submit them to the escrow officer. The instructions will describe the documentation the SPLASH Program Administrator will need in order to prepare Program loan documents and fund the loan. Documentation needed will include (but may not be limited to), as applicable, a title report, home and pest inspection reports, an appraisal, and documents regarding the primary loan and any other secondary loan. The Program loan must be secured with a deed of trust.
8. Sign paperwork. Following receipt of required paperwork from the escrow company, the SPLASH Program Administrator will prepare the appropriate Program loan documents for the Borrower to sign at closing.
9. Monitoring and correspondence. The Borrower must complete annual surveys to the SPLASH Administrator to verify ongoing compliance with the owner-occupancy requirement and the hazard and flood insurance requirements. Any default in these requirements may result in the HSA calling the loan due immediately. The Borrower must contact the SPLASH Program Administrator when contemplating a sale or refinance.

5.2. Pre-Qualification

The SPLASH Program Administrator will accept pre-qualification applications for preliminary review and pre-qualification. This review will confirm that the Applicant generally meets the qualifications described in Section 4, with the exception of the debt-to-income ratio, credit score and affordable housing cost, which cannot be determined until the SPLASH Administrator is provided with an estimate of monthly housing costs for a specific home and primary loan detail.

Preliminary Applications for pre-qualification are subject to a \$100 fee. Following review, the SPLASH Program Administrator will issue a conditional pre-qualification letter. Note that Program funding is limited and a conditional pre-qualification letter does not guarantee that funds will be available to the Applicant if/when a formal application is submitted.

Should an applicant elect to take this pre-qualification step and subsequently, formally apply for funding, a second \$100 application fee shall not apply.

5.3. Loan Payoffs

Borrowers must pay off the SPLASH loan in the event of a sale or refinance of the home and have the option to prepay the loan at any time.

The following are the general steps for paying off a loan:

- a. Provide notice and documentation. The Borrower must provide the Program Administrator with the following:
 - A written notification of the Borrower's intended action.
 - A current property appraisal by an appraiser selected by Borrower and approved by HSA.
 - In lieu of formal appraisal, Borrower and HSA may mutually agree on a determination of the current market value of the property.
 - The name and contact information of the escrow officer managing the transaction, as well as an escrow number.
- b. Program Administrator prepares payoff demand. The Program Administrator will calculate equity share, if applicable, or loan interest and prepare a payoff demand. The equity share calculation is described in Section 3.5. The Program Administrator will provide a copy of the payoff demand to the Borrower and submit the demand to the escrow officer.
- c. Funds disbursed to the Program Administrator. The escrow officer will disburse repayment funds to the Program Administrator as stated in the payoff demand upon the close of the transaction, and the Program Administrator will be responsible for satisfying the transaction with the HSA.
- d. Release and reconveyance. The Program Administrator will work with the HSA to prepare appropriate documents to release the lien of the Program loan from the property.

6. EXCEPTIONS

Any Applicant believing that his/her situation warrants an exception to any part of these Guidelines due to circumstances outside of his/her household's control, such as refugee status, special needs, or other hardships or special circumstances, may request an exception by submitting a written letter to the Program Administrator prior to submitting an application of any kind.

The exception request must specify which particular guideline or requirement the household cannot meet for reasons beyond their control or other valid reasons, and/or describe the household's unique circumstances which warrant one or more specific exceptions to be identified in the letter, referencing the page(s) and section(s) of these Guidelines and/or application form related to the request.

Exceptions will be considered by the HSA. The SPLASH Program Administrator will provide a letter response within 10 calendar days, stating whether the requested exception can be granted in full or part and the reason for such decision.