

**ADMINISTRATIVE SERVICES AGREEMENT  
(SPLASH Program)**

THIS ADMINISTRATIVE SERVICES AGREEMENT (the “Agreement”) is effective as of the 18th day of November, 2024 (“Effective Date”), by and between the **CITY OF SAN PABLO**, a municipal corporation of the State of California (the “City”) and the **San Pablo Economic Development Corporation**, a California nonprofit public benefit corporation (“SPEDC”).

**Recitals**

A. SPEDC is a California nonprofit public benefit corporation formed for the purpose of providing charitable training, educational and other service assistance to the general public for the purposes of furthering its mission to stabilize, diversify and grow the local economy through business and workforce development.

B. On behalf of the City, SPEDC engages in comprehensive business retention and recruitment efforts designed to attract business and jobs to San Pablo, to retain its existing business and employment base, and to enhance economic productivity of real property within the City.

C. San Pablo City Council adopted the SPLASH program on November 16, 2020, and approved an initial contract with SPEDC via Resolution 2020-149 to serve as the program administrator for a two (2) year period ending November 16, 2022.

D. San Pablo City Council approved an additional contract with SPEDC on November 17, 2023, via Resolution 2023-056 for the two (2) year period ending November 17, 2024.

D. The City desires to continue a first-time homebuyer loan program to promote affordable homeownership opportunities in the City and to retain SPEDC to provide administrative services in connection therewith. The first-time homebuyer loan program is identified as the “San Pablo Loan Assistance for Sustainable Housing (SPLASH) Program.”

E. The City also desires to add a rehabilitation loan program as part of the SPLASH Program to promote safe structures and housing stock to be maintained to acceptable standards.

**Agreements**

**NOW THEREFORE**, in consideration of the foregoing and of the mutual covenants and agreements hereinafter expressed, the parties mutually agree as follows:

Section 1.     Services.

a. Services. Subject to the terms and conditions set forth in this Agreement, SPEDC shall provide administrative services to the City in connection with the City's SPLASH program, specifically those services associated with the "Program Administrator" and "Loan Administrator" identified in the SPLASH program guidelines, which guidelines are attached to this Agreement as Exhibit A. It is expected that SPEDC's administrative services will include, but are not limited to, the following:

- i. Affirmative marketing of the SPLASH program;
- ii. Certification of eligible applicants according to SPLASH program criteria;
- iii. Loan underwriting and preparation and execution of all applicable loan documents;
- iv. Communication and coordination with the Credit Committee and the City's identified liaison concerning all proposed loans; and
- v. Monitoring and collection activities with respect to all completed loans.

b. Compliance of Applicable Laws. SPEDC shall comply with all laws applicable to the performance of the services. To the extent that this Agreement may be funded by fiscal assistance from another governmental entity, SPEDC shall comply with all applicable rules and regulations to which City is bound by the terms of such fiscal assistance program.

c. Nondiscrimination and Equal Opportunity. SPEDC shall not discriminate, on the basis of a person's race, religion, color, national origin, age, physical or mental handicap or disability, medical condition, marital status, sex, sexual orientation or any other legally protected status, against any employee, applicant for employment, subcontractor, bidder for a subcontract, or participant in, recipient of, or applicant for any services or programs provided by SPEDC under this Agreement. SPEDC shall comply with all applicable federal, state, and local laws, policies, contracting, and the provision of any services that are the subject of this Agreement, including but not limited to the satisfaction of any positive obligations required of SPEDC. SPEDC shall include the provisions of this subsection in any subcontract.

d. COVID-19 Pandemic. All services must be in compliance with current health orders issued by Contra Costa County Health Services at: <https://www.coronavirus.cchealth.org/health-orders>.

e. Labor Code Compliance. If the Services are "public works" services as defined in Labor Code section 1720 et seq. and the Agreement is for an amount greater than \$1,000, the Agreement is subject to all applicable requirements of Chapter 1 of Part 7 of Division 2 of the Labor Code, beginning at section 1720, and the related regulations, including but not limited to requirements pertaining to wages, working hours and workers' compensation insurance. Consultant must also post all job site notices required by laws or regulations pursuant to Labor Code section 1771.4.

1. **Prevailing Wages:** Each worker performing Services under this Agreement that is covered under Labor Code section 1720 or 1720.9, must be paid at a rate not less than the prevailing wage as defined in sections 1771 and 1774 of the Labor Code. The prevailing wage rates are on file with the City and are available online at <http://www.dir.ca.gov/DLSR>. Pursuant to Labor Code section 1775, Consultant and any subconsultant will forfeit to City as a penalty up to \$200 for each calendar day, or portion of a day, for each worker paid less than the applicable prevailing wage rate, in addition to paying each worker the difference between the applicable wage rate and the amount actually paid.

2. **Working Day:** Pursuant to Labor Code section 1810, eight hours of labor consists of a legal day's work. Pursuant to Labor Code section 1813, Consultant will forfeit to City as a penalty the sum of \$25 for each day during which a worker employed by Consultant or any subconsultant is required or permitted to work more than eight hours during any one calendar day, or more than 40 hours per calendar week, unless such workers are paid overtime wages under Labor Code section 1815. All Services must be carried out during regular City working days and hours unless otherwise specified in the scope of services or authorized in writing by City.

3. **Payroll Records:** Consultant and its subconsultants must maintain certified payroll records in compliance with Labor Code sections 1776 and 1812, and all implementing regulations promulgated by the Department of Industrial Relations ("**DIR**"). For each payroll record, Consultant and its subconsultants must certify under penalty of perjury that the information in the record is true and correct, and that it has complied with the requirements of Labor Code sections 1771, 1811, and 1815. Unless the Agreement is for an amount under \$25,000, Consultant must electronically submit certified payroll records to the Labor Commissioner as required under California law and regulations.

4. **Apprentices:** If the amount of the Agreement is \$30,000 or more, Consultant must comply with the apprenticeship requirements in Labor Code section 1777.5.

5. **DIR Monitoring, Enforcement, and Registration:** The Services are subject to compliance monitoring and enforcement by the DIR pursuant to Labor Code section 1725.5, and, subject to the exception set forth below, Consultant and any subconsultants must be registered with the DIR to perform public works projects. The registration requirements of Labor Code section 1725.5 do not apply if the Agreement is for an amount under \$25,000.

f. No assignment or subcontracting. SPEDC shall not assign or subcontract these services without City's written consent.

g. City Liaison. City's Assistant City Manager, or such other alternate City staff member identified in writing by City Manager, shall be City's liaison for services under this Agreement. The Credit Committee is identified in the SPLASH program guidelines (Exhibit A).

Section 2. Term of Services. The term of this Agreement shall begin on the Effective Date and continue through June 30, 2025, unless earlier terminated as provided for in Section 13. Subject to earlier termination as set forth in Section 13, this Agreement shall automatically renew for two (2) successive 1-year terms beginning as of July 1, 2025 and July 1, 2026, unless either party shall give notice of its intent not to renew the Agreement at least ninety (90) days prior to the end of the then current term.

Section 3. Standard of Performance. SPEDC represents that it has the requisite experience, qualifications and skills necessary to perform the required services. SPEDC shall assign appropriate personnel to perform the services required by this Agreement.

Section 4. Time of Performance. SPEDC shall devote such time to the performance of services required by this Agreement as may be reasonably necessary to satisfy the SPEDC's obligations hereunder.

Section 5. Compensation. As compensation for its services under this Agreement, SPEDC shall be entitled to the administration fees described in the SPLASH program guidelines (Exhibit A) and to the sum of **Two Thousand Five Hundred Dollars (\$2,500)** for each funded loan and **One Thousand Dollars (\$1,000)** for every loan that is paid-off. SPEDC shall also be compensated for reimbursable expenses such as advertising costs associated with marking activists or attorney's fees associated with collection activities, provided, however, that SPEDC shall obtain written approval from the City for any reimbursable expenses that will total \$3,000 or more. Reimbursable expenses do not include ordinary copying, mailing, phone calls or typical computer work. The parties agree that compensation hereunder is intended to include the costs of contributions to any pensions and/or annuities to which SPEDC and its employees, agents, and subcontractors may be eligible and that the City therefore has no responsibility for such contributions beyond compensation required under this Agreement.

Section 6. Invoices. SPEDC shall submit invoices, not more often than once a month during the term of the Agreement, based on the cost for services performed and reimbursable expenses incurred prior to the invoice date. Invoices shall be signed by an authorized representative of SPEDC and shall contain the following information:

- a. Serial identification of progress bills, i.e., Progress Bill No. 1 of the invoice, etc.;
- b. The beginning and ending dates of the billing period; and
- c. Description of the services performed, time spent performing the services and identity of person performing the services.

Section 7. Payment Schedule. The City shall have 30 days from its receipt of an invoice that complies with all the requirements of Section 6 to pay SPEDC. SPEDC is solely responsible for the payment of employment taxes incurred under this Agreement and any similar federal or state taxes. If damages are sustained by the City as a result of breach or default by

SPEDC, the City may withhold payment(s) to SPEDC for the purpose of set-off until such time as the exact amount of damages due the City from SPEDC may be determined.

Section 8. Facilities and Equipment. Except as set forth herein, SPEDC shall, at its sole cost and expense, provide all facilities and equipment that may be necessary to perform the services required by this Agreement. The City shall make available to SPEDC only the facilities and equipment listed in this section, and only under the terms and conditions set forth herein.

a. The City shall furnish physical facilities such as desks, filing cabinets, and conference space, as may be reasonably necessary for SPEDC's use while consulting with City employees and reviewing records and the information in possession of the City.

b. The location, quantity, and time of the City furnishing the facilities described in subsection 8(a) shall be in the sole discretion of the City. In no event shall the City be obligated to furnish any facility that may involve incurring any direct expense to the City, including but not limited to computer, long-distance telephone or other communication charges, vehicles, and reproduction facilities.

Section 9. Insurance Requirements. Before beginning any work under this Agreement, SPEDC, at its own cost and expense, shall procure insurance against claims for injuries to persons or damages to property that may arise from or in connection with the performance of the work by SPEDC and its agents, representatives, employees, and subcontractors. SPEDC shall provide proof satisfactory to the City of such insurance that meets the requirements of this section and under forms of insurance satisfactory in all respects to the City. SPEDC shall maintain the insurance policies required by this section throughout the term of this Agreement. SPEDC shall not allow any subcontractor to commence work on any subcontract until SPEDC has obtained all insurance required herein for the subcontractor(s) and provided evidence thereof to the City. Verification of the required insurance shall be submitted and made part of this Agreement prior to execution. Insurers shall have an A.M. Best's rating of no less than A:VII unless otherwise accepted by the City in writing:

a. Commercial General Liability (CGL): Insurance Services Office Form CG 00 01 covering CGL on an "occurrence" basis, including products and completed operations, property damage, bodily injury and personal & advertising injury with limits no less than \$2,000,000 per occurrence. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this Agreement or the general aggregate limit shall be twice the required occurrence limit.

b. Automobile Liability Insurance. ISO Form Number CA 00 01 covering any auto (Code 1), or if SPEDC has no owned autos, hired, (Code 8) and non-owned autos (Code 9), with limit no less than \$1,000,000 per accident for bodily injury and property damage.

c. Workers' Compensation Insurance. As required by the State of California, with Statutory Limits, and Employer's Liability Insurance with limit of no less than \$1,000,000 per accident for bodily injury or disease.

d. Other Insurance Provisions. The insurance policies are to contain, or be endorsed to contain, the following provisions:

(1) Additional Insured Status. The City, its officers, officials, employees, and volunteers are to be covered as additional insureds on the CGL policy with respect to liability arising out of work or operations performed by or on behalf of SPEDC including materials, parts, or equipment furnished in connection with such work or operations. General liability coverage can be provided in the form of an endorsement to SPEDC's insurance (at least as broad as ISO Form CG 20 10 11 85 or if not available, through the addition of both CG 20 10 and CG 20 37 if a later edition is used).

(2) Primary Coverage. For any claims related to this contract, SPEDC's insurance coverage shall be primary insurance as respects the City, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the City, its officers, officials, employees, or volunteers shall be excess of SPEDC's insurance and shall not contribute with it.

(3) Notice of Cancellation. Each insurance policy required above shall provide that coverage shall not be canceled, except with notice to the City.

(4) Waiver of Subrogation. SPEDC hereby grants to the City a waiver of any right to subrogation which any insurer of SPEDC may acquire against the City by virtue of the payment of any loss under such insurance. SPEDC agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether or not the City has received a waiver of subrogation endorsement from the insurer.

(5) Deductibles and Self-Insured Retentions. Any deductibles or self-insured retentions must be declared to and approved by the City. The City may require SPEDC to purchase coverage with a lower deductible or retention or provide proof of ability to pay losses and related investigations, claim administration, and defense expenses within the retention.

(6) Claims made policies. If any of the required policies provide claims-made coverage:

(a) The Retroactive Date must be shown, and must be before the effective date of this Agreement or the beginning of work hereunder.

(b) Insurance must be maintained and evidence of insurance must be provided for at least five (5) years after completion of the work under this Agreement.

(c) If coverage is canceled or non-renewed, and not replaced with another claims-made policy form with a Retroactive Date prior to the effective date

of this Agreement, SPEDC must purchase “extended reporting” coverage for a minimum of five (5) years after completion of the work under this Agreement.

e. Certificate of Insurance and Endorsements. SPEDC shall furnish the City with original certificates and amendatory endorsements or copies of the applicable policy language effecting coverage required by this clause. All certificates and endorsements are to be received and approved by the City before work commences. However, failure to obtain the required documents prior to the work beginning shall not waive SPEDC’s obligation to provide them. The City reserves the right to require complete, certified copies of all required insurance policies, including endorsements required by these specifications, at any time.

f. Subcontractors. SPEDC shall include all subcontractors as insured under its policies or shall furnish separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to all of the requirements stated in this Agreement, including but not limited to naming additional insureds.

g. Higher Limits. If SPEDC maintains higher limits than the minimums shown above, the City requires and shall be entitled to coverage for the higher limits maintained by SPEDC. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to the City.

h. Special Risks or Circumstances. The City reserves the right to modify these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage or other special circumstances.

i. Remedies. In addition to any other remedies the City may have if SPEDC fails to provide or maintain any insurance policies or policy endorsements to the extent and within the time herein required, the City may, at its sole option exercise any of the following remedies, which are alternatives to other remedies the City may have and are not the exclusive remedy for SPEDC’s breach:

(1) Obtain such insurance and deduct and retain the amount of the premiums for such insurance from any sums due under this Agreement;

(2) Order SPEDC to stop work under this Agreement or withhold any payment that becomes due to SPEDC hereunder, or both stop work and withhold any payment, until SPEDC demonstrates compliance with the requirements hereof; and/or

(3) Terminate this Agreement.

#### Section 10. Indemnification.

SPEDC shall, to the fullest extent permitted by law, indemnify, defend (with counsel acceptable to the City) and hold harmless the City, and its employees, officials, volunteers and agents ("Indemnified Parties") from and against any and all losses, claims, damages, costs and liability arising out of any personal injury, loss of life, damage to property, or any violation of any

federal, state, or municipal law or ordinance, arising out of or resulting from the performance of this Agreement by SPEDC, its officers, employees, agents, volunteers, or subcontractors, excepting only liability arising from the sole negligence, active negligence or intentional misconduct of the City.

In the event that the SPEDC or any employee, agent, or subcontractor of SPEDC providing services under this Agreement is determined by a court of competent jurisdiction or the California Public Employees Retirement System (PERS) to be eligible for enrollment in PERS as an employee of the City, SPEDC shall indemnify, defend, and hold harmless the City for the payment of any employee and/or employer contributions for PERS benefits on behalf of SPEDC or its employees, agents, or subcontractors, as well as for the payment of any penalties and interest on such contributions, which would otherwise be the responsibility of the City.

Acceptance by the City of insurance certificates and endorsements required under this Agreement does not relieve SPEDC from liability under this indemnification and hold harmless clause. This indemnification and hold harmless clause shall apply to any damages or claims for damages whether or not such insurance policies shall have been determined to apply.

By execution of this Agreement, SPEDC acknowledges and agrees to the provisions of this Section, that it is a material element of consideration, and that these provisions survive the termination of this Agreement.

Section 11. Status of SPEDC.

a. Independent Contractor. At all times during the term of this Agreement, SPEDC shall be an independent contractor and shall not be an employee of the City. The City shall have the right to control SPEDC only insofar as the results of SPEDC's services rendered pursuant to this Agreement; however, otherwise the City shall not have the right to control the means by which SPEDC accomplishes services rendered pursuant to this Agreement. Notwithstanding any other City, state, or federal policy, rule, regulation, law, or ordinance to the contrary, SPEDC and any of its employees, agents, and subcontractors providing services under this Agreement shall not qualify for or become entitled to, and hereby agree to waive any and all claims to, any compensation, benefit, or any incident of employment by the City, including but not limited to eligibility to enroll in the California Public Employees Retirement System (PERS) as an employee of the City and entitlement to any contribution to be paid by the City for employer contributions and/or employee contributions for PERS benefits.

b. No Agency. Except as the City may specify in writing, SPEDC shall have no authority, express or implied, to act on behalf of the City in any capacity whatsoever as an agent. SPEDC shall have no authority, express or implied, pursuant to this Agreement to bind the City to any obligation whatsoever.

Section 12. Legal Requirements.

a. Governing Law. The laws of the State of California shall govern this Agreement.



b. Compliance with Applicable Laws. SPEDC and any subcontractors shall comply with all laws applicable to the performance of the work hereunder.

c. Other Governmental Regulations. To the extent that this Agreement may be funded by fiscal assistance from another governmental entity, SPEDC and any subcontractors shall comply with all applicable rules and regulations to which the City is bound by the terms of such fiscal assistance program.

d. Nondiscrimination and Equal Opportunity. SPEDC shall not discriminate, on the basis of a person's race, religion, color, national origin, age, physical or mental handicap or disability, medical condition, marital status, sex, sexual orientation or any other legally protected status, against any employee, applicant for employment, subcontractor, bidder for a subcontract, or participant in, recipient of, or applicant for any services or programs provided by the SPEDC under this Agreement. SPEDC shall comply with all applicable federal, state, and local laws, policies, rules, and requirements related to equal opportunity and nondiscrimination in employment, contracting, and the provision of any services that are the subject of this Agreement, including but not limited to the satisfaction of any positive obligations required of SPEDC thereby. SPEDC shall include the provisions of this subsection in any subcontract.

### Section 13. Termination and Modification.

a. Termination. Either party may cancel this Agreement at any time and without cause upon written notification to the other. In the event of termination, SPEDC shall be entitled to compensation for services performed to the effective date of termination; the City, however, may condition payment of such compensation upon SPEDC delivering to the City any or all documents, photographs, computer software, video and audio tapes, and other materials provided to SPEDC or prepared by or for SPEDC or the City in connection with this Agreement.

b. Amendments. The parties may amend this Agreement only by a writing signed by all the parties.

c. Survival. All obligations arising prior to the termination or expiration of this Agreement and all provisions of this Agreement allocating liability between the City and SPEDC shall survive the termination or expiration of this Agreement.

d. Options upon Breach by SPEDC. If SPEDC materially breaches any of the terms of this Agreement, the City's remedies shall include, but not be limited to, the following:

- (1) The City may immediately terminate this Agreement; and/or
- (2) The City shall retain all plans, reports, documents and records of any kind prepared by SPEDC pursuant to this Agreement.

Section 14. Keeping and Status of Records.

a. Records Created as Part of SPEDC's Performance. All reports, data, maps, models, charts, studies, surveys, photographs, memoranda, plans, studies, specifications, records, files, or any other documents or materials, in electronic or any other form, that SPEDC prepares or obtains pursuant to this Agreement and that relate to the matters covered hereunder shall be the property of the City. SPEDC hereby agrees to deliver those documents to the City upon termination of this Agreement. It is understood and agreed that the documents and other materials, including but not limited to those described above, prepared pursuant to this Agreement are prepared specifically for the City and are not necessarily suitable for any future or other use.

b. Confidentiality. All reports, data, maps, models, charts, studies, surveys, photographs, memoranda, plans, studies, specifications, records, files, or any other documents or materials, in electronic or any other form, that SPEDC prepares or obtains pursuant to this Agreement and that relate to the matters covered hereunder shall be kept confidential by SPEDC. Such materials shall not, without the prior written permission of City, be used by SPEDC for any purpose other than the performance of this Agreement nor shall such materials be disclosed publicly. Nothing furnished to SPEDC which is otherwise known to the SPEDC or is generally known, shall be deemed confidential.

c. SPEDC's Books and Records. SPEDC shall maintain any and all ledgers, books of account, invoices, vouchers, canceled checks, and other records or documents evidencing or relating to charges for services or expenditures and disbursements charged to the City under this Agreement for a minimum of three (3) years, or for any longer period required by law, from the date of final payment to SPEDC to this Agreement.

d. Inspection and Audit of Records. Any records or documents that this Agreement requires SPEDC to maintain shall be made available for inspection, audit, and/or copying at any time during regular business hours, upon oral or written request of the City. Under California Government Code Section 8546.7, if the amount of public funds expended under this Agreement exceeds TEN THOUSAND DOLLARS (\$10,000.00), this Agreement shall be subject to the examination and audit of the State Auditor, at the request of the City or as part of any audit of the City, for a period of three (3) years after final payment under this Agreement.

Section 15. Miscellaneous Provisions.

a. Venue. In the event that either party brings any action against the other under this Agreement, the parties agree that trial of such action shall be vested exclusively in the state courts of California in the County of Contra Costa or in the United States District Court for the Northern District of California.

b. Severability. If a court of competent jurisdiction finds or rules that any provision of this Agreement is invalid, void, or unenforceable, the provisions of this Agreement not so adjudged shall remain in full force and effect. The invalidity in whole or in part of any provision of this Agreement shall not void or affect the validity of any other provision of this Agreement.

c. No Implied Waiver of Breach. The waiver of any breach of a specific provision of this Agreement does not constitute a waiver of any other breach of that term or any other term of this Agreement.

d. Successors and Assigns. The provisions of this Agreement shall inure to the benefit of and shall apply to and bind the successors and assigns of the parties.

e. Conflict of Interest. SPEDC shall not employ any official of the City in the work performed pursuant to this Agreement. No officer or employee of the City shall have any financial interest in this Agreement that would violate California Government Code Section 1090 *et seq.*

f. Inconsistent Terms. If the terms or provisions of this Agreement conflict with or are inconsistent with any term or provision of any attachment or exhibit attached hereto, then the terms and provisions of this Agreement shall prevail.

g. Notices. Any written notice to SPEDC shall be sent to:

Executive Director  
San Pablo Economic Development Corporation  
1000 Gateway Dr.  
San Pablo, CA 94806

Any written notice to the City shall be sent to:

Assistant City Manager  
City of San Pablo  
1000 Gateway Dr.  
San Pablo, CA 94806

Notices given by personal delivery shall be effective immediately upon receipt. Notices given by mail shall be deemed to have been delivered forty-eight hours after having been deposited in the United States mail with all required postage prepaid thereon. Notices given by nationally recognized overnight courier, by priority overnight service, shall be deemed delivered one (1) business day after deposit with that courier. Each party shall provide the other party with telephone and written notice of any change in address as soon as practicable.

h. Integration. This Agreement and all attachments represent the entire and integrated agreement between the City and SPEDC and supersede all prior negotiations, representations, or agreements regarding the services to be provided hereunder, either written or oral.

*(This space intentionally left blank.)*

IN WITNESS WHEREOF, the City and SPEDC have caused this Agreement to be executed on their behalf by their respective officers thereunto duly authorized, as of the date first written above.

**APPROVED AS TO FORM:**

**CITY OF SAN PABLO**

A Municipal Corporation

By \_\_\_\_\_  
Brian Hickey, City Attorney

By \_\_\_\_\_  
Matt Rodriguez, City Manager

Dated: \_\_\_\_\_

**SAN PABLO ECONOMIC DEVELOPMENT CORPORATION, a California nonprofit public benefit corporation**

By \_\_\_\_\_  
Leslay Choy, Executive Director

Dated \_\_\_\_\_

**ATTEST:**

By \_\_\_\_\_  
Dorothy Gantt, City Clerk

Dated \_\_\_\_\_

**Exhibit A**

# Housing Successor Agency of the City of San Pablo

## SPLASH FIRST-TIME HOMEBUYER LOAN PROGRAM GUIDELINES

### 1. INTRODUCTION

The San Pablo Loan Assistance for Sustainable Housing Program (“Program” or “SPLASH”) provides down payment assistance in the form of deferred payment loans, to income-qualified, first-time homebuyers who wish to purchase a home in the incorporated City of San Pablo.

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 February 22, 2022. 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](http://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. FUNDING OVERVIEW

The Program is funded through the Low and Moderate Income Housing Asset Fund of the HSA.

### 3. 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 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 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

#### 3.1. 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.

### 3.2. 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.

### 3.2.1. 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.

### 3.2.2. 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)

### 3.2.3. 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.

### 3.3. 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.

### 3.4 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.

### 3.5. 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.

### 3.6. 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).

#### 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 seven 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:	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 30% times 70% of the AMI adjusted for household size pursuant to California Health and Safety Code Section 50052.5 and applicable regulations in Title 25 of the California Code of Regulations, Section 6910 <i>et seq.</i>
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 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 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.

- a. 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.

- b. 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.

- c. 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).
- d. 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)

$10\% \text{ of } \$120,000 = \$12,000$



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 mortgage shall have a minimum FICO credit rating of 620 points from all three credit agencies, as determined by the primary loan lender.

4.2.3. Homebuyer Education Class

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 30% of 70% of AMI adjusted for household size pursuant to 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. Homebuyer education. Potential Applicants must complete a First-Time Homebuyer Education Class (see Section 4.2.3).
3. 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. 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.
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. 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) 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 refinance or resale 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 for the greater of the two. 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.