

HOUSING PRIMER

TABLE OF CONTENTS

| | |
|--|-----------|
| CALHFA | 3 |
| CDBG | 7 |
| Entitlement Communities | 7 |
| State Administered CDBG..... | 8 |
| HCD PROGRAMS | 10 |
| HOMEBUYER EDUCATION RESOURCES | 12 |
| General Homebuyer Education..... | 12 |
| Local Educational Programs | 14 |
| Predatory Lending Education | 14 |
| Glossaries | 14 |
| HOUSING OPPORTUNITIES DEVELOPMENT | 15 |
| Project Idea | 15 |
| Specific Plan | 15 |
| Suggestions from Non-Profits..... | 16 |
| Suggestions from Government Officials | 17 |
| HUD | 18 |
| Useful information for homebuyers..... | 18 |
| Useful information for REALTORS®..... | 19 |
| HUD Homes..... | 19 |
| About Communities | 20 |
| Other Important HUD pages | 20 |
| INSURANCE PROGRAMS | 21 |
| Private Mortgage Insurance | 21 |
| Mortgage Insurance Services Programs..... | 22 |
| FHA-Insured Loans | 23 |
| MORTGAGE CREDIT CERTIFICATES AND | 25 |
| MORTGAGE REVENUE BONDS | 25 |
| PROPOSITION 46 | 26 |
| PURCHASE ASSISTANCE PROGRAMS | 27 |
| Programs | 27 |
| Resources | 27 |
| REDEVELOPMENT AGENCIES SET-ASIDES | 30 |
| Homebuyer Assistance..... | 31 |

| | |
|---|-----------|
| RENTAL ASSISTANCE PROGRAMS | 32 |
| Non-governmental Rental Assistance Programs | 32 |
| Government’s Rental Assistance Programs | 34 |
| Accessing Funds for Rental Assistance Programs..... | 36 |
| Rental Programs that lead to Homeownership..... | 37 |
| How REALTORS® Can Get Involved..... | 37 |
| SECONDARY MORTGAGE MARKET..... | 39 |

CalHFA

The California Housing Finance Agency ([CalHFA](#)) has as its mission to finance below market rate loans to create safe, decent and affordable rental housing and to assist first-time homebuyers in achieving the dream of homeownership. To accomplish its goal, the agency has four separate divisions: homeownership programs, mortgage insurance, multifamily finance and small business development. All of the agency's programs are targeted to renters and homebuyers that meet five criteria: first-time homebuyer purchasing a primary residence, intend to occupy the property, HUD income limits, credit and loan requirements of the participating lender and mortgage insurer, and a U.S. citizen or permanent resident alien.

CalHFA funds most of its activities with [Proposition 46](#) money. It administers programs such as the California Homebuyer's Downpayment Assistance Program (CHDAP) and the Extra Credit Teacher's Home Purchase Assistance (Extra Credit Teacher Program). Funding, is directly channeled to consumers (through approved financial institutions) in the form of down payment assistance, financing and mortgage insurance. Also, to maximize homeownership opportunities, the agency cultivates partnerships and establishes new relationships within the affordable housing market place. Interested partners should contact CalHFA at 800.789.2432 or any of its divisions directly.

[Homeownership Programs Division](#): Provides affordable housing opportunities by offering below-market interest rate mortgage loans to very low-to-moderate income first-time homebuyers. The Program strives to achieve availability of mortgage funds 365 days a year, an equitable geographic distribution of its loans throughout the state, and an equal balance between newly constructed and resale homes. There are several unique features and programs offered which may fit the need of the prospective buyer.

CalHFA establishes partnerships with lenders, local housing agencies, builder/developers, real estate professionals, and other intermediaries in order to develop and deliver its programs. This collaborative approach helps expand homeownership opportunities by maximizing the collective financial resources available to borrowers. The Homeownership Programs division offers information on:

- [Loans](#)
- [Programs](#) (CalHFA and *Prop. 46* Programs)

Mortgage Loan Programs:

- [Homeownership Mortgage Loan Program](#)
- [Builder-Lock \(BLOCK\) Program](#)
- [Energy Efficient Mortgages](#)
- [HomeChoice Program Information](#)

- [Mortgage Insurance](#)
- [Partnership with Southern California Home Financing Authority \(SCHFA\)](#)
- [Self-Help Builder Assistance Program](#)
- [Single Loan \(SL\) Process](#)

Down Payment Assistance Programs:

- [Affordable Housing Partnership Program \(AHPP\)](#)
- [California Homebuyer's Downpayment Assistance Program \(CHDAP\)](#)
- [CalHFA Housing Assistance Program \(CHAP\)](#)
- [Extra Credit Teacher Home Purchase Program \(ECTP\)](#)
- [High Cost Area Home Purchase Assistance Program \(HiCAP\)](#)
- [Homeownership In Revitalization Areas Program \(HIRAP\)](#)
- [Oakland Teacher Program](#)
- [School Facility Fee Down Payment Assistance Program \(SFF\)](#)

- [Rates and Limits,](#)
- [Approved Lenders,](#)
- [Partners](#) and
- [Lender Resources.](#)

If you are interested in a partnership with the Homeownership Division, call 916.324.8088, 800.789.2432 or visit their website www.calhfa.ca.gov.

[CalHFA's Multifamily Loan Finance Programs Division](#): Provides permanent financing for the acquisition, rehabilitation and preservation of existing rental housing, as well as the new construction of rental housing. CalHFA-financed affordable units are targeted to low and moderate-income families and individuals in California. Through its subdivision Specific Multifamily Programs, it also offers development information including lending programs, financing terms, loan application forms and processing requirements.

CalFHA establishes partnerships with city and county officials, local housing agencies, affordable housing developers, construction lenders and other housing sponsors to develop and deliver its programs. This collaborative approach helps expand housing opportunities by maximizing the financial resources available to support the State's housing needs. The division offers information on:

- [Multifamily Programs](#)
 - [Construction Loan Program](#)
 - [HUD Section 202 Refinancing Program](#)
 - [Loan to Lender Program](#)

- [Permanent Financing Program](#)
- [Predevelopment Finance Program](#)
- [Preservation & Acquisition Finance Program \(Prop. 46\)](#)
- [Special Financing Needs](#)
- [Tax Exempt Bridge Financing Program](#)
- [Multifamily Asset Management](#) and
- [Affordable Rental Housing Developments](#).

If you are interested in a partnership Multifamily Finance Division call 916.322.5123 or visit www.calhafa.ca.gov.

[CalHFA Mortgage Insurance Services Division](#): Helps prospective hard to qualify homeowners move past current mortgage insurance challenges and restrictions by utilizing the California Housing Loan Insurance Fund. The insurance fund encourages lenders to make loans to hard-to-serve borrowers and buyers with little or no money for a downpayment and closing costs. It also assists lenders by insuring loans for borrowers with past payment problems.

CalHFA works with lenders and other financing partners to deliver programs that meet the needs of first-time homebuyers, low-to-moderate income borrowers and others who may not qualify for traditional lending programs, due to their lack of credit, downpayment funds and cash to close, or past credit issues. Income and sales price limits vary by program.

The Mortgage Insurance division offers information on:

- [Mortgage Insurance](#),
- [Mortgage Insurance Programs](#),

Conventional Loan

- [CalHFA Conventional](#)

CalPERS

- [CalPERS 97 & 97/3](#)

CalSTRS

- [CalSTRS 80/17](#)
- [CalSTRS 95/5](#)
- [CalSTRS 95 Conventional](#)

Fannie Mae / Freddie Mac 97/3

- [Fannie Mae & Freddie Mac 97/3](#) (Mortgage Insurance Services 97/3)

Fannie Mae & Freddie Mac Conventional

- [Fannie Mae & Freddie Mac Conventional 95 & 97 LTV](#)

Freddie Mac 100/3

- [Freddie Mac 100 & 100/3](#)

Lease Purchase

- [Lease Purchase - ABAG Program](#)

- [Lease Purchase 97/3](#)
 - National Homebuyers Fund 97/7**
 - [NHF - Access & Gold 97/7 Conventional](#)
 - [Cal Jumbo](#)
 - Union Bank**
 - [Economic Opportunity Mortgage \(EOM\) Program](#)
- [Participating Lenders](#) and
 - [Lender Resources.](#)

If you are interested in establishing a partnership with the Mortgage Insurance Services Division call 916.322.8936, fax 916.322.8697 or visit www.calhfa.ca.gov.

Special Housing Programs. CalHFA offers two special housing programs:

[Small Business Development.](#) The Small Business Development Division (SBD) increases the participation of small developers in its single family and multifamily mortgage loan programs and ensures CalHFA's compliance with state and federal equal opportunity and non-discrimination rules and regulations.

[Housing Enabled by Local Partnerships \(HELP\)](#) Housing Enabled by Local Partnerships (HELP) is an award-winning program that has awarded \$100 million to 88 separate housing entities to facilitate affordable housing since the program's inception in 1998. The program provides 3% interest rate loans, with repayment terms up to 10 years, to local government entities for locally-determined affordable housing priorities.

CDBG

Community Development Block Grants ([CDBG](#)) provide annual grants on a formula basis for many different types of grantees. The programs covered under this designation are: [Entitlement Communities](#), [State Administered CDBG](#), Section 108 Loan Guarantee Program, Colonia, HUD Administered Small Cities, Insular Areas, and Disaster Recovery Assistance. From all of these programs, only the first two provide important funding opportunities for the development of housing and housing programs.

[Entitlement Communities](#)

[CDBG](#) provides eligible metropolitan cities and urban counties (called "entitlement communities") with annual direct grants that they can use to revitalize neighborhoods, expand affordable housing and economic opportunities, and/or improve community facilities and services, principally to benefit low- and moderate-income persons. To receive its annual CDBG entitlement grant, a grantee must develop and submit to HUD its Consolidated Plan, (which is a jurisdiction's comprehensive planning document and application for funding under the following Community Planning and Development formula grant programs: CDBG, HOME Investment Partnerships, Housing Opportunities for Persons with AIDS ([HOPWA](#)), and Emergency Shelter Grants ([ESG](#))). Entitled communities are responsible for developing their own programs and for setting their own funding priorities. *Grantees must give maximum feasible priority to activities which benefit low- and moderate-income persons.*

CDBG funds may be used for activities which include, but are not limited to:

- Acquisition of real property
- Relocation and demolition
- Rehabilitation of residential and non-residential structures
- Construction of public facilities and improvements, such as water and sewer facilities, streets, neighborhood centers, and the conversion of school buildings for eligible purposes
- Public services, with certain limits
- Activities relating to energy conservation and renewable energy resources
- Provision of assistance to profit-motivated businesses to carry out economic development and job creation/retention activities.

Funds are received by entitled communities, which post a Notice of Funding Availability (NOFA), through their housing and development department or their city council, and grant proposals are requested. After a series of hearings and evaluations of the grant proposals, funds are awarded to the final recipients. These are generally non-profit agencies that have submitted projects deemed to be of great social value for the community. Projects submitted for evaluation have to meet [general funding criteria](#) and specific funding criteria ([Economic Development](#), [General/Native American/Colonias &](#)

[Enterprise Fund](#) and [Planning and Technical Assistance](#)). When evaluating who should receive funds and on what amount, entities place a high value on: number of people serviced per dollar, addressing a **local** need, and efficient distribution of human and material resources. Other factors also impact funding, such as competing agencies already providing the service proposed or total number of proposals submitted (some localities like to fund as many as possible, thereby diminishing the amount allotted to each grantee).

The final allocation process is a competitive one, usually there are several agencies competing for a limited amount of money. **However, some localities either do not promote effectively the availability of CDBG funds or potential grantees are not aware of their existence, leaving in the coffers of local governments thousands of dollars.** This money has to be returned, by the end of the period, to the State. REALTORS® should inquire with their local governments about the availability of CDBG funds. Local or municipal housing or economic development officials should be able to furnish information of CDBG funds availability.

- *Open* CDBG Grants, see the [manual](#) for supported activities.
- 2004 [CDBG budget allocation for California](#) (includes the counties, cities and municipalities not in the *State* CDBG funding Allocations list). In the same page, links to 2001, 2002 and 2003 budget allocations.
- [California Entitlement List of Contact by City, County and Town](#)

State Administered CDBG

The [California State CDBG](#) program has as its objective to *develop viable communities by providing decent **housing** and a suitable living environment and by expanding economic opportunities, principally for persons of low- and moderate-income.* Grants are only awarded to non-entitlement areas which include those units of general local government which do not receive CDBG funds directly from HUD as part of the entitlement program (Entitlement Cities and Urban Counties). Non-entitlement areas are cities with populations of less than 50,000, and counties with populations of less than 200,000, although some entitlement cities have a population of less than 50,000 (cities that are designated central cities of Metropolitan Statistical Areas). The State CDBG program has replaced the Small Cities program in states that have elected to participate.

Annually each state develops funding priorities and criteria for selecting projects. Each year the program makes funds available only to [eligible jurisdictions](#) (non-entitlement areas) through several allocations: [General and Native American](#), [Economic Development](#), [Planning and Technical Assistance](#), and [Colonias](#). Notices of Funding Availability (NOFAs) are published for each allocation as the funds become available. Successful applicants enter into contracts with the State to complete the specified activities with the grant funds. The Department of Housing and Urban Development (HUD) transfers federal funds to the State of California's Department of Housing and

Community Development (HCD). [Funds allocation](#) is typically announced by HUD in late February, and it awards the funds to the State in May of each year. Under State statute and regulation, HCD allocates the federal CDBG award into various program components. Once the State receives the funds, it distributes them to eligible jurisdictions, i.e. counties, cities and towns, for their use. One of the requirements to receive a grant is to have submitted a [housing element](#) to HCD*. Funds cannot be denied to an entity because of the findings made by HCD regarding the element. However, Section 50830 of the California Health and Safety Code states that *if the city or county has adopted a general plan, ordinance, or other measure which **directly limits**, by number, either...the buildings permits that may be issued for residential construction or the buildable lots which may be developed for residential purposes*, then the entity becomes ineligible to receive funds. The [flow chart](#) prepared by HCD succinctly describes the allocation process.

If the state finds a jurisdiction to be non-performing, it disencumbers the funds previously awarded and rolls them over to a similar program within the other State eligible jurisdictions. Programs elected for the rollover are selected from the waiting list. Programs are placed, according to ranking, in a waiting list either because they couldn't be fully funded or because they were not funded at all. Since the program's award grant in a sense is lost for the community for that funding cycle it is important to monitor the performance of the local government.

- [State CDBG Funding Allocations Packages](#), information on NOFAs: general and specific funding application packages.
- [State CDBG Rep List by County](#) (*Adobe PDF*) All listed numbers are area code 916.
- [State CDBG Rep List by Program](#)
- [CDBG Information](#), use this page to learn about late-breaking news and to view copies of the most recent Program publications. Information is updated monthly or as needed.
- [State CDBG 2003 General Allocation Funding List](#) (Excel file provided by HCD)
- [State CDBG 2003 General Allocation/ 2nd Rollover Funding](#) (Word file provided by HCD)

* Section 7056 (b)(1) of Title 25 of the California Code of Regulations, and Section 50829 California Health and Safety Code.

HCD Programs

The [mission of the Department of Housing and Community Development](#) (HCD) is to provide leadership, policies and programs aimed to the preservation and expansion of safe and affordable housing opportunities and to promote strong communities for all Californians. In accordance with its mission statement, HCD's main responsibilities are to:

- **Advocate and support housing development for all Californians.** *HCD develops the Statewide Housing Plan and assists cities and counties with the housing element of their General Plans. It also monitors the use of housing funds by local Redevelopment Agencies as well as provides technical assistance and statistical data to the Governor, members of the Legislature and the public. Although many parts of the department assist, the division of Housing Policy Development primarily carries out these tasks.*
- **Develop, administer and enforce building codes, manufactured housing standards and mobile-home park regulations.** *HCD registers and issues titles on mobilehomes, oversees the construction of manufactured housing, licenses the professionals who sell manufactured housing and regulates mobilehome parks. The Department also works with industry and other governmental agencies to develop building codes for both conventional and manufactured housing. These functions are primarily handled by the Division of Codes and Standards.*
- **Administer State and federal housing, community development and childcare facilities finance programs.** *HCD administers a number of loan and grant programs for these purposes. These loans and grants are awarded to local governments, non-profit and for-profit developers of rental and ownership housing, community infrastructure and childcare buildings. The Division of Community Affairs handles these programs.*

To fulfill its housing administrative financing responsibilities, [HCD](#) has in place several programs that help the development and preservation of affordable housing. The programs offer loans, grants or both to localities, developers, non-profits and individuals that engage in the construction, development or rehabilitation of housing units. The overarching goal of this help is to produce more affordable housing and to increase the rates of homeownership of low- and median-income households. HCD programs sometimes are multi-folded and thus, have funds available for more than one housing activity. For instance, a program like CalHome funds new construction, acquisition and rehabilitation of single-family and multifamily housing projects, and tenant-based assistance.

HCD works directly with local governments, counties, non-profits, for-profits, and in some instances, income eligible families and individuals, in order to allocate the financing resources needed toward specific housing uses. The best way to find the right program for a determined activity (and all of its requirements) is to consult the [Loan and Grant Program Directory of HCD](#). This directory lists all of the housing programs

available for California by: purpose, assistance type, terms, eligible activities, eligible applicants, application procedures, and contact information for all the programs offered.

In addition to the links mentioned above, it is also important to visit HCD's website to become familiar with the housing resources the agency has developed:

- [Affordable Housing Preservation](#): Information on the preservation of government-assisted projects at-risk of conversion to market rate, state preservation notice requirements and charts, and status reports.
- [Building Codes and Standards](#): Information on the nine programs the Division of Codes and Standards administers which address manufactured and factory built housing issues; and employee housing, code enforcement and state housing law issues.
- [Financial Clearinghouse](#): A source of information on over 200 housing programs, government, private lenders and foundation grants, all of which are non-HCD funding sources.
- [HCD Loans and Grants](#): Contains a calendar of funding and links to recent developments in rental housing, guidelines for homebuyer programs, monitoring and management of HCD programs, proposition 46 and publications.
- [Housing Planning and Statistics](#): Information on housing topics technical assistance (i.e. NIMBY resources), state housing planning (i.e. housing element), state plans and reports (i.e. redevelopment agencies report), and links to federal plans and reports.
- [Income Limits](#): State income limits and income limits for California-administered CDBG and HOME programs.
- [Redevelopment Agency Data](#): Reports, activities, and technical assistance for form-completion
- [Registration and Titling](#): Laws, regulations, program activities, contacts, and investor links against fraud.

Other important HCD links:

[Notices of Funding Availability](#): (NOFAs) Information on funding availability for HCD's programs.

[Proposition 46 Programs List](#): Information on programs funded by the "*Housing and Emergency Shelter Trust Fund Act of 2002* \$2.1 billion dollar bond measure".

Homebuyer Education Resources

Homebuyer education is an important component of homeownership, as it prepares the buyer for the acquisition process and provides the necessary tools for remaining a successful homeowner. Counseling proves to be a valuable tool that makes the buying process more attractive by providing buyers with knowledge of the basic steps of purchasing, financing and making timely mortgage payments; and information on how to avoid pitfalls. In addition, completing a course fulfills one of the qualifying criteria that many lenders require of first-time buyers.

The providers of homebuyer education are the government, government sponsored enterprises, mortgage bankers, housing advocates, and non-profit organizations. The courses have been made available to the public online, on-site (class imparted by an instructor) and as printed material; they have the common objective of helping buyers to become successful homeowners. Some courses specialize in financial topics, such as FICO scores or predatory lending, and some others offer a comprehensive approach to homeownership issues such as how to find the best loan or how much home one can afford. A handful of courses are not designed for the buyer, but for the real estate professional that desires to instruct others about the home-buying process.

We have divided this document into three parts. The general homebuyer education section points out the most relevant courses and materials available for gaining broad knowledge of the home buying process. The local homebuyer part will help you find a local agency that offers classes on site. This is particularly important for the homebuyer that needs counseling and to complete a course when qualifying for a loan. Finally, the predatory lending education section lists the sites that offer specialized information on how to avoid this practice.

General Homebuyer Education

[BorrowSmart](#): *Online source sponsored by lenders with information on how to manage credit and loans.*

[C.A.R. Homebuyer Education and Housing Counseling](#): *First-time and low-to-moderate income buyers have several programs through all levels of government and non-government organizations willing to assist.*

[Fannie Mae Foundation](#): *This agency offers [Home-Buying Guides](#) that outline the basics about owning a home, knowing your credit, borrowing, and choosing the best mortgages. The [homeownership education programs](#) help underserved populations gain access to affordable housing and become homeowners. Resources are available in several languages. Finally, [Fannie Mae's Home Counselor Online](#) provides a tool that enables counselors to increase their business productivity while managing their counseling functions. It enables users to enhance their level of service while helping more clients prepare for homeownership.*

[Fair Isaac](#): *This organization offers a very complete credit education page focused on the FICO score.*

[Freddie Mac's Route to Home Ownership](#): *This online program provides easy to understand and in-depth information on all aspects of buying a home, from understanding the pros and cons of homeownership to demystifying the mortgage process. Freddie Mac also offers [Recursos en Español](#).*

[Ginnie Mae Homeownership Information Center](#): *The site has a series of links with information about the home buying process.*

[Homebuyers Education Center](#): *This website offers information about home buying and educating the consumer on the importance of using a REALTOR® during the process.*

[HomeOwnership Alliance](#): *The consumer will find extensive information on how to buy a home, moving, mortgages, insurance and equity.*

[Homeownership Alliance of Non-profit Down Payment \(HAND\) Providers](#): *HAND's members are some of the most important non-profits offering down payment assistance. These organizations also offer home buying classes, online courses, ebooks and educational tools for the buyer and the real estate professional.*

[Homes for All Program](#): *This non-profit site offers counsel on how to choose a real estate agent and advocates for the use of REALTORS® only. It has a buyers and a seller's guide.*

[HCD](#) has a [Memo for Local Homebuyer Program Operators and Sponsors](#): *Contains a Sample Homebuyer Program Guidelines and a Homebuyer Program Guidelines Checklist for those who want to set up their own homebuyer program using HCD funds.*

[HUD's HomeBuying Resources](#): *Includes information on: homebuyer rights, mortgage, finding a real estate broker, home-buying programs, shopping for a home, home inspections, appraisals, homeowners insurance, closing, and moving. HUD [Counseling](#) will help you find a local counseling agency. The [US Homebuyer Education Center](#) offers a homebuyer education online course and provides the student with a certificate upon completion.*

[Mortgage Bankers Association](#): *Has posted information on financial literacy, homebuyer education and predatory lending. The website contains useful links.*

Private Lenders: *Lenders such as [Bank of America](#), [Countrywide Home Loans](#), [Wells Fargo](#), [IndyMac Bank](#), [Washington Mutual](#), [Citi Bank](#), just to name a few, have online home buying resources. Check with your bank or credit union about available information.*

Local Educational Programs

In addition to the above resources, there are several non-profit organizations that offer homebuyer's education. We recommend also contacting your [local housing authority](#), as new programs might be in place. HUD keeps a [list of approved house counseling agencies](#) for all California.

The [Southern California Association of Non-Profit Housing](#) maintains a list of homebuyer education programs for the counties of Los Angeles, Orange, Ventura, San Bernardino, Santa Barbara and Riverside.

Predatory Lending Education

Lending and credit issues deserve a special category since many homebuyers have fallen prey to unscrupulous mortgage brokers and many others do not understand how credit works. Several sites offer information on how to detect signs of predatory lending and what to do if one has already fallen into a mortgage fraud scheme.

[HUD Predatory Lending](#): *The agency informs thoroughly on the issue of predatory lending.*

[Stopmortgagefraud.com](#): *This site features information on the borrower's bill of rights, warning signs of abusive lending and a place to report abusive lending.*

[City of LA Don't Borrow Trouble](#): *It offers advice on how to prevent loan scams. Several documents about the topic are available both in English and Spanish. The site also features an extensive list of counseling organizations and a link to Freddie Mac's site (below).*

[Freddie Mac's Don't Borrow Trouble](#): *The site posts information on how to avoid predatory lending practices.*

Glossaries

Glossaries help homebuyers find definitions to real estate terms they are not familiar with or are difficult to understand.

[Fannie Mae's Mortgage Terms Glossary](#)

[Glossary of Real Estate Terms](#)

[HUD's Mortgage Glossary](#) (available translation in Spanish)

Housing Opportunities Development

Housing developers agree that any kind of development is a very cumbersome process, whether it is for-profit or non-profit. There are many issues to consider before starting any project. We offer a list of some ideas to help you get started with your project.

Project Idea

There are a number of things you should consider when designing your project:

- 1) What **type of development** do you want to pursue: infill, acquisition, preservation, redevelopment, new construction, rehabilitation?
- 2) What is your **time frame**? Is this a short-term, long-term, or continuous (such as rental assistance) or limited project?
- 3) What are the **costs** involved: land purchase, materials, permits and fees, labor, management, insurance, etc?
- 4) What is the **specific need** that the project addresses: homelessness, lack of assisted housing, housing for special needs population (elderly, single parents, disabilities, etc.), affordable single family residency housing, affordable multifamily housing, homeownership counseling/education?
- 5) What is the proposed **service area**: neighborhood, city, county?
- 6) What are the service criteria? Who is going to benefit from the project and what are the criteria used to select participants: need (such as only students for student housing), income, residency area, age group, other?
- 7) What are the **potential problems**: neighborhood opposition, city council disagreement, state regulations, lack of financial support, red tape and permits or liability issues? What are the potential **solutions**? Who are your potential **allies**?
- 8) Who is **responsible** of providing the service? How is the service going to be **delivered**?

Specific Plan

Once you have the project idea developed, you need to make a specific plan to attain your objective.

- 1) Consider all sources of funding from: Federal government ([HUD Funds Available](#), [HUD Grants Index](#), [Other HUD Grants Available](#)); local government [CDBG](#) or [RDA](#) loan and grant funds); other organizations ([Clearinghouse Database Search](#)[♦]). Examples of the programs covered by all

[♦] *The Clearinghouse is a source of information on over 200 housing programs, government, private lenders and foundation grants. Each program listing identifies the goals, eligible activities and type of funding, as well as such critical and timely information as application deadlines and current funding*

of the above providers are: technical assistance, insurance mortgages, construction loan and permanent loans. It is always best to stay in touch with your local planning or housing agency for current information on availability of funding.

- 2) Consider global tax credits such as: [Low Income Housing Tax Federal \(LIHTC\)](#) and [Low Income Housing Tax State Credit](#), both administered by the California Tax Credit Allocation Committee and only rental housing projects are eligible; [Historic Tax Credits](#); [Housing Tax Exempt Bonds](#); [Renewal Communities](#); [urban Empowerment Zones](#); and [Urban Enterprise Communities \(RC/EZ/EC\)](#) tax credits for housing rehabilitation and construction; and [Tax Information for Charities and Other Non-Profits](#). Also, search the [Low-Income Housing Tax Credit \(LITCH\) Database](#) to get information on the projects and housing units being produced in your locality (use left menu to access geographic data on LIHTC production).
- 3) Consider partners that will help your project: government; nonprofits (consult the [Southern California Association of Non-Profit Housing](#) Directory and [Northern California Association of Non-Profit Housing](#) Directory); for profits. A partnership has pros (i.e. experience, contacts, advice) and cons (i.e. loss of independence in the planning and implementation process).
- 4) Consider other information: [HUD information for grantees and nonprofits](#), [Nonprofit participation in housing programs](#), [Office of Community Planning and Development](#), [Establishing a Non-Profit Organization](#), [Tax Information for Charities and Other Non-Profits](#) ; [Starting a Business in the U.S. \(for profit and non-profit\)](#); [HUD's Affordable Housing Programs](#) (requiring non-profits participation); [HUD's Matrix of Systems per Working Group](#) information of what HUD system or database resource might be useful to you as a non-profit.

Suggestions from Non-Profits

Once you are ready to seek approval for your project and you have thought and planned everything through, you are ready to consider some suggestions gathered from non-profits that have already worked in housing projects.

Consider other things you haven't considered before and that might influence your project: Did you include parking, is it adequate? How do you know? Did you consider the impact on the local school district? Is transportation close by? Is this a friendly building? Are the materials adequate?

Emphasize the good points of your project: Getting a project approved is also a matter of marketing and public relations. Learn how to sell it effectively to the City and its residents. Emphasize amenities, like a projected child care facility, or benefits, like increased home values and tax revenue due to development of a vacant property. Anticipate all possible objections and negative comments about your project, but **do not** address them before the City Council or any Commission does. Be ready to answer, but do not alert them to objections they have not thought about.

availability. Its information is primarily geared to assisting housing sponsors (private and nonprofit developers) and units of government.

Know your community: Research demographic and economic characteristics of the area. Do surveys, talk to people, know what they want, know what they need, work with them, gather their support. Use task forces. Offer amenities (i.e. child care center) to make people and officials like you. Do you know if prospective grantees like your project? What would they change and what would they keep? Why?

Know the law: Review and locate the general plan and zoning plans because sometimes they have conflicting data. Look for consistency in housing fabric. Present the law and how the project fits into the law.

Increase density: More dense projects are likely to draw environmentalists support.

Learn from similar nonprofits and developers: Talk to them. Ask about what they could have done better. What went right? What went wrong? What useful advice do they have for you?

Open channels of communication with city officials: Network with the planning department. Educate city attorneys about the law. Speak early before filling of documents. Read and know your staff report and respond to each issue. Know your request. Address each topic in your specific request.

Partnership: Diverse groups accomplish more.

Suggestions from Government Officials

Ask staff for relief: They might be able to provide some, especially when it comes to affordable housing. It might come in the form of political support, recommendations to a commission, deferred payments or guidance.

Be aware of what the City is doing: What tools does it have, how can they be used? Once the strengths are assessed, a strategy to tackle the problems can be set up.

Be politically savvy about City Hall: It speeds up the approval process by contacting the right people, and it makes staff's work easier.

Check the Building and Safety list of nuisance properties: Potential revitalization sites can be found there. Also, ask the city for a list of *city owned properties*. This is also a good source to find affordable housing sites.

Educate the public about what affordable housing means.

Know the community: Know its pros and cons.

Lobby Council members when there are difficult projects: Get them to assist on your project meetings (private, neighborhood, etc.), agitate.

Partnership: Profit from other organizations' experience and contacts. It is also useful to establish work relationships and to identify sites.

Possess financial know-how: Learn where the sources of financing for your project are located.

Realize that an outsider has the power to influence the outcome on ways a city staff can't: Staff is bounded to support the position of the elected official it is serving. However, by brainstorming, questioning, dialoguing, depicting alternative scenarios and sharing information with staff, new approaches can be created and that communication process can help shape policy and change outcomes.

HUD

The U.S. Department of Housing and Urban Development has in place several programs to help homebuyers and homeowners with homeownership issues. The site is divided in six broad categories: *HUD News*, *HUD Homes*, *HUD Communities*, *Working with HUD*, *Resources*, and *Tools*. From all of these sections and its links, there are some very useful for the homebuyer or the real estate professional.

Useful information for homebuyers

HUD Homes Section

- [Buying](#): sHomebuyer rights, how much mortgage can you afford, home wish list, finding a real estate broker, mortgages, [local homebuyer programs](#), and shopping for a home.
- [Owning](#): Maintaining and improving your home, energy and home environment, paying the mortgage, refinancing, reverse mortgages, manufactured homes, disaster relief and homeownership government links.
- [Selling](#): Advice about selling a home, tips on interviewing brokers, getting your house ready to sell, selling your home, settlement costs.
- [Renting](#): Renters kit, housing counseling, federal financial assistance, apartment shopping, renters insurance, programs/services in federal rental housing, rent your home.
- [Homeless](#): Information for homeless people, assistance providers, advocates, and other resources.
- [Home improvements](#): Federal repair and rehabilitation programs
- [HUD homes](#): How to buy HUD's homes.
- [Fair housing](#): Fair Housing Policy and Research Forum, news, Housing Discrimination Complaint Form, and other miscellaneous information.
- [FHA refunds](#): For homeowners who had a HUD/FHA insured mortgage previous to Sept. 1983.
- [Foreclosure](#): How to avoid foreclosure questions and answers.
- [Consumer info](#): Protecting consumers' rights links, i.e. lead hazard control or land sales complaints.

Working with HUD Section

HUD does **not** offer direct grants or loans to individuals; it works through local governments and non-profit organizations to make financial assistance and counseling available. These are the main resources available for homebuyers:

- [Housing Counseling](#): List of HUD approved agencies.
- [The American Dream Downpayment Act](#): Program created to assist low-income first-time homebuyers in purchasing single-family homes by providing funds for

- downpayment, closing costs, and rehabilitation carried out in conjunction with the assisted home purchase.
- [Low Downpayment Information](#): This homepage will facilitate approval of downpayment assistance through secondary financing programs
 - [Housing Choice Vouchers \(Section 8\)](#): Allow very low-income families to choose and lease or purchase safe, decent, and affordable privately-owned rental housing.

Useful information for REALTORS®

HUD Homes

When someone with a HUD insured mortgage is unable to meet the payments, the lender forecloses on the home; HUD pays the lender what is owed; and HUD takes ownership of the home. Then HUD sells it at market value as quickly as possible using a bid system. From those properties, HUD sets apart some for [HUD approved non-profits](#) and/or for officer/teacher purchase only. The general public can buy the rest. These properties are commonly known as **HUD homes** and are sold in a “as is” condition. If the HUD home, once active in the bid system is not sold within a six-month period, then a local government can buy it for \$1. These [Dollar HUD Homes for local governments](#) can then be fixed, and put back in the market at considerable savings. The fixing of the property is done either by the government itself or in a joint partnership with local non-profit homeownership organizations or by taping into existing local programs to resell the homes to low- and moderate-income residents of the community. Homes located in [revitalization areas](#) have an **additional discount**.

In general, the dollar HUD homes, the set-aside properties for non-profits, officers and teachers and the HUD homes for the general public allow for the revitalization of neighborhoods and help maintain the affordable housing stock.

To [buy a HUD home](#), it is necessary to use a real estate broker who will submit the buyers' bid. The bids are submitted at 100% of the listed price value, which equals the appraised value. Properties sold through this system have clear deadlines and are also available for the officers and teachers program. They can purchase a property off the General List and still receive a 50% discount if: (a) the property is located in a HUD-designated revitalization area; and (b) no other acceptable offers have been received. In the case that multiple offers are entered into the bidding system, a lottery process will decide the bid winner. Officers or teachers must submit a contract bid at 100% of the "Listed Price". When bids are submitted by officers and teachers on properties in the General Property List that are above or below 100% of the list price, they will be treated as standard "owner/occupant" bids and will not be eligible for the 50% Officer Next Door/ Teacher Next Door (OND/TND) discount. The 50% discount, applicable to the OND/TND program will be applied at closing.

Other HUD Homes links of interest:

[General Information about HUD homes](#)

[Selling HUD homes](#)

[Frequently asked questions about Marketing and Management program](#)

[HUD homes for sale](#)

About Communities

This HUD section provides links to maps and statistics about virtually any locality in the United States. Searches can be performed either by name place or by zip code. The information helps REALTORS® answer accurately general questions about the location of educational facilities, environmental conditions, and demographic data of any given home.

- [Community maps](#): Maps provide information from HUD and the Environmental Protection Agency (EPA), i.e. community development projects and toxic release sources.
- [Facts about your community from the Census](#): Statistical information about the population that inhabits a place, i.e. age, education, income, race, home values, homeownership, mortgage and housing starts.
- [Facts about the environment from EPA](#): For those who want to know more about radiation, superfunds, watersheds and other highly technical environmental questions.
- [Look for schools, colleges, and libraries](#) Information on local public and private schools, colleges and libraries. If you are looking for the school performance index (ranking), log into the California Department of Education's web page [Academic Performance Index](#).
- [Look for child care](#) Find the closest child care facility to any given location.

Other Important HUD pages

[Descriptions of Single Family Housing Programs](#)

[Approved Appraisers List](#)

[HUD Approved Lenders](#)

[Maximum Mortgage Limits](#)

[Revitalization Homes' area locator](#): It allows you to find out if a single family property is located within a Revitalization Area. This online tool can help verify if a particular location is eligible for **the discount sale programs** offered in revitalization areas.

Insurance Programs

Private Mortgage Insurance

Private Mortgage Insurance (PMI) enables homebuyers to obtain conventional home loans with relatively small down payments. Prior to the advent of PMI, lenders of conventional mortgages traditionally required a down payment of at least 20 percent of the home's purchase price. Saving enough money to make a down payment of ten or twenty percent is one of the greatest barriers to homeownership today, so that requirement shrank the pool of potential homebuyers. Having insurance helps first-time and moderate-income purchasers surmount this obstacle by reducing the down payment required to obtain a mortgage to as little as three percent of the purchase price. Both private and federal programs offer mortgage insurance. Down payment requirements may vary depending on the insurance issuer.

Lenders typically require mortgage insurance on low down payment mortgages because loss experience and studies have shown that a borrower with less than 20 percent invested in a home is more likely to default on a mortgage should problems arise. In other words, there is a good correlation between the size of the down payment made on a mortgage and the eventual likelihood that the mortgage will be paid-off according to its terms.

Although it is the borrower who normally pays for PMI, the insurance coverage protects the lender, not the borrower. The insurance protects lenders against default-related losses on conventional first mortgages made to mortgage borrowers who make down payments of less than 20 percent of the home's purchase price. PMI typically provides lenders with a default guarantee covering the top 20-to-25 percent of the mortgage balance. The lender assumes the risk for the remaining (uninsured) portion of the loan.

Lenders are required to automatically cancel mortgage insurance on new mortgages once the equity in a home reaches 22 percent. Homeowners may request to cancel at 20 percent equity levels. Lenders are required to provide homeowners with the information needed to cancel their insurance. At this point, the insurer is no longer liable for default of the loan. If the loan was sold to Freddie Mac or Fannie Mae, homeowners should contact their lenders once equity reaches 20 percent because they have more lenient requirements for insurance. Equity levels are determined according to the purchase price of the home. Any increased values do not apply. However, if the homeowner feels that his property has increased significantly in value, dropping the loan to value ratio below 75 percent, than the homeowner may request a new appraisal and cancel the PMI. There are some exceptions to cancellations, such as existing mortgages and high-risk loans.

Fannie Mae and Freddie Mac currently require mortgage insurance on all low down payment programs with a Loan to Value (LTV) ratio of 90-95 percent. A down

payment of 3 percent requires coverage of at least 18%. Down payments of 5 percent require coverage between 25 and 18 percent. Loans with 10 percent down require 17 to 12 percent insurance coverage. There are several different options available to borrowers to increase initial buying power and reduce monthly payments while maintaining a security and safety level for lenders. At the inception of the loan, lenders can either add a small percentage rate increase or add additional points at the close of the deal. Information on [Freddie Mac Mortgage Insurance](#) and [Fannie Mae Mortgage Insurance](#) is available online. Fannie has partnered with [PMI Mortgage Insurance Co.](#) in order to create more affordable housing opportunities. This insurance company's website has information about how PMI helps homebuyers, how to calculate PMI premium, products, realtor training and PMI cancellations requirements.

[CalHFA](#) is home to four divisions: homeownership programs, multifamily programs, mortgage insurance services and small business development. Its mission is to finance below market-rate loans to create safe, decent, and affordable rental housing and to assist first-time homebuyers in achieving the dream of home ownership. The Mortgage Insurance Services division helps prospective homeowners move past current mortgage insurance challenges and restrictions by utilizing the California Housing Loan Insurance Fund. The insurance fund encourages lenders to make loans to hard-to-serve borrowers and buyers with little or no money for a down payment and closing costs. It also assists lenders by insuring loans for borrowers with past payment problems. Insurance is provided to those homebuyers that meet the income and area requirements. For more information: read CAR's paper [CalHFA](#), and visit [CalHFA Mortgage Insurance](#) website.

Mortgage Insurance Services Programs

This list constitutes an inventory of mortgage insurance programs requiring minimal upfront funds with participating lenders.

- ✓ [Cal Rural ACCESS 97/6 \(conforming, statewide\)](#)
- ✓ [CalHFA Conventional](#)
- ✓ [CalPERS 97 & 97/3](#) *CalPERS members have additional benefits such as reduced Title and Escrow Fees through , [Stewart Title](#) and [Old Republic Title](#). Other benefits are 30-day rate lock, 100% financing option, Free 60-day rate protection, two free float downs, controlled closing fees, closing cost assistance and reduced mortgage insurance rates. For more information go to [CalPERS Advantage program](#).*
- ✓ [CalSTRS 80/17](#)
- ✓ [CalSTRS 95 Conventional](#)
- ✓ [CalSTRS 95/5](#)
- ✓ [Fannie Mae & Freddie Mac 97/3](#)
- ✓ [Fannie Mae & Freddie Mac Conventional 95 & 97 LTV](#)
- ✓ [Freddie Mac 100 & 100/3](#)
- ✓ [Lease Purchase - ABAG Program](#)
- ✓ [Lease Purchase 97/3](#)
- ✓ [NHF - Access & Gold 97/7 Conventional](#)

FHA-Insured Loans

FHA was established in 1934 under the National Housing Act and was consolidated into HUD in 1965. The FHA's purpose is to improve housing standards and conditions, provide an adequate home financing through mortgage insurance, help stabilize the mortgage market and provide homeownership opportunities. HUD acts as an administrator and insurer of FHA's originated loans. FHA does not insure individuals, it insures the loans that lenders offer to borrowers. Lenders must offer long-term, self-amortizing, market rate, assumable loans in order to participate in the program.

By insuring lenders' loans, lower down payment costs and mortgage insurance premiums are offered to homebuyers. Other advantages of FHA insured loans are: less stringent borrower qualifying criteria; financing up to 100% of up-front loan closing costs and insurance premiums; higher loan-to-value ratios on loan refinances; and higher allowances for seller-paid closing costs. In addition, the presence of FHA insured loans in the mortgage market have other benefits. They help lenders preservation of their fiduciary profile, stabilize the market, and provide a reliable secondary mortgage market participant.

FHA Single Family Insurance Programs

Loan Programs:

- ✓ [Energy Efficient Mortgages Program](#)
- ✓ [Graduated Payment Mortgage Insurance \(Section 245\(a\)\)](#)
- ✓ [Growing Equity Mortgage Insurance \(Section 245\(a\)\)](#)
- ✓ [Home Equity Conversion Mortgage Program](#)
- ✓ [Indian reservations and Other Restricted Lands](#)
- ✓ [Insurance for Adjustable Rate Mortgages \(Section 251\)](#)
- ✓ [Manufactured Home Loan Insurance \(Title I\)](#)
- ✓ [Manufactured Home Lot and Combination Loan Insurance](#)
- ✓ [Mortgage Insurance for Condominium Units \(Section 234\(c\)\)](#)
- ✓ [Mortgage Insurance for Low/Mod Income Buyers \(Section 221\(d\)\(2\)\)](#)
- ✓ [Mortgage Insurance for Members of the Armed Forces \(Section 222\)](#)
- ✓ [Mortgage Insurance for Older, Declining Areas \(Section 223\(e\)\)](#)
- ✓ [Mortgage Insurance for One- to Four-Family Homes \(Section 203\(b\)\)](#)
- ✓ [Property Improvement Loan Insurance \(Title I\)](#)
- ✓ [Rehabilitation Mortgage Insurance \(Section 203\(k\)\)](#)
- ✓ [Single-Family Cooperative Mortgage Insurance \(Section 203\(n\)\)](#)
- ✓ [Single-Family Mortgage Insurance for Disaster Victims \(Section 203 \(h\)\)](#)
- ✓ [Single-Family Mortgage Insurance for Outlying Areas \(Section 203 \(i\)\)](#)

Regulatory Programs

- ✓ [Insurance premiums](#)
- ✓ [Interstate Landsales](#)
- ✓ [Manufactured Home Construction and Safety Standards](#)
- ✓ [Minimum Property Standards](#)
- ✓ [Premium refunds](#)

- ✓ [Reduction in mortgage insurance](#)
- ✓ [Regulatory Programs Real Estate Settlement Procedures Act](#)
- ✓ [Servicing and Loss Mitigation](#)

Mortgage Credit Certificates and Mortgage Revenue Bonds

State and local governmental agencies and joint powers authorities can issue tax-exempt mortgage revenue bonds (**MRBs**) or mortgage credit certificates (**MCCs**) to assist first-time homebuyers purchase homes.

MCCs are designed to reduce homebuyers' federal tax liability by applying the credit to their net tax due and can be used with conventional, fixed-rate, FHA, VA and privately insured loans for single family and condominiums homes. Program participants must meet program income limits, depending on the issuing locality, and live in the home for at least three years. **MCCs** that are issued in Federal Target areas usually have less restrictive limits than other areas. Target areas are locations where 50% of the households earn less than that area's median income.

Example:

If a buyer has a 30-year mortgage of \$130,000 with a 6.25% fixed interest rate; the interest rate amount would be approximately \$ 8,081.85 during the first year. With a 20% credit, \$1,616.37 of the payment would be given back to the buyer, allowing him more purchasing capabilities by allowing a lower annual household income to qualify for the mortgage.

MRBs are tax-exempt bonds that state and local governments issue through housing finance agencies (HFAs) to help fund below-market-interest-rate mortgages for first-time qualifying homebuyers. Eligible borrowers are first-time homebuyers with low to moderate incomes below 115 percent of median family income. MRB loans are offered at a 30-year below-market interest rate. Price limits and interest rates may vary within each area. Only qualified lenders can offer MRBs.

To access a current [allocation award list](#) of Counties and Cities using **MCCs** and **MRBs**, visit the California State Treasury's Office website at <http://www.treasurer.ca.gov/cdlac/>. Make sure to consult all the *Rounds* in order to obtain the complete *Single Family Programs* allocation information. Once you have confirmation of which program the City or County is offering, contact the [local Housing authority](#) or the Planning Department or the Economic Development Agency, depending on your locality's organizational structure. Government staff should be able to provide you with the program administrator contact information and additional details. Some MCC and MRB administrators have web sites where they post their information.

Remember, if the financial resources allocated for a particular program are not used, then they are lost. In the next funding cycle, the local government should make new requests for money and a new allocation is designated. In some cases, local funds for down payment are not being used to its full capacity leaving thousands of dollars unused in city coffers.

Proposition 46

[Proposition 46](#) also called the *Housing and Emergency Shelter Trust Fund Act of 2002* is a California-approved, \$2.1 billion dollar bond measure. It provides funds for the construction, rehabilitation and preservation of affordable rental housing, emergency shelters and homeless facilities. Funds can be used to provide down payment assistance to low and moderate-income first-time homebuyers. Seniors, families with children, teachers, disabled persons, veterans and working people will benefit from the bond.

The [Legislative Analyst Office](#) accurately outlines the use of Proposition 46 funds according to the four types of programs it fund as follows:

Multifamily Housing Programs (\$1.11 Billion). This measure funds a variety of housing programs aimed at the construction of rental housing projects, such as apartment buildings. These programs generally provide local governments, non-profit organizations, and private developers with low-interest (3 percent) loans to fund part of the construction cost. In exchange, a project must reserve a portion of its units for low-income households for a period of 55 years. This measure gives funding priority to projects in already developed areas and near existing public services (such as public transportation).

Homeownership Programs (\$405 Million). A number of the programs funded by this measure encourages homeownership for low- and moderate-income homebuyers. Most of the funds can be used to provide downpayment assistance to homebuyers through low-interest loans or grants. Typically, eligibility for this assistance are based on the household's income, the cost of the home being purchased, and whether it is the household's first home purchase.

Farmworker Housing (\$200 Million). These funds are be used to provide loans and grants to the developers of housing for farmworkers. Program funds are used for both rental and owner-occupied housing.

Other Programs (\$385 Million). Additional funds are allocated for the construction of homeless shelters, payments to cities and counties based on their approval of housing units, provision of mortgage insurance for high-risk homebuyers, and capital needs of local code enforcement departments.

Purchase Assistance Programs

For most first-time homebuyers, the greatest obstacle to owning a home is the down payment. Fortunately, to help fill this need, homebuyers throughout the State of California can access different assistance programs that enable them to reach the dream of homeownership. The federal, state and local government, and non-profit organizations have designed programs to help very low-, low- and moderate-income buyers attain homeownership that wouldn't be otherwise possible. Some of the programs offered are available on a statewide basis, while others are available only locally, since they have been specially designed for residents of a particular community or for individuals with a special set of housing constraints. It is always recommended to approach the originating housing entity to find about the particular requirements and scope of any given program.

Programs

Purchase assistance programs, whether down payment, closing costs, pre-pays or rate-buy-downs take the form of loans or grants. These financial delivery mechanisms are designed to help households reach the dream of homeownership.

Loans usually are deferred, low-to-zero-interest and require back payment at the time of sale or transfer of property. Loans are sometimes referred as **Soft** or **Silent Seconds**, depending upon whether the loan is to be paid at a low interest rate or it is forgiven after a certain conditions are met. The loan originator can be the state, a regional, local or non-profit housing agency. The most common conditions attached to any loan program are:

- First time buyers must not have home ownership in any property within the last 3 years.
- Purchase price and income level limits are based on area medians for family size, usually to HUD standards.
- Assistance with 0–20 percent of purchase price or a fixed quantity, whichever is less.
- Below market interest rate deferred until sale or transfer of the home.
- Balloon payment of loan at the time of transfer or selling of property.

Grants are money gifts where the no back payment by the buyer is required, but where a fee-for-use is required as well as a contribution from the seller. Grant providers are usually more flexible than loan providers in the set of conditions attached to the funding process. Grant originators typically are non-profit organizations.

Resources

[Community Development Block Grant Funds](#) (CDBG) and redevelopment agency affordable housing set-asides revenue provide assistance to first-time homebuyers in the form of deferred loans. For a local government to have access to CDBG funds, it

must have an approved Consolidated Plan. With the money obtained from these funds, the local government can create a financial assistance program for first time homebuyers with income restrictions. The final aid might come in the form of grants or down payment deferred loans. In addition, there might be cooperation with non-profit organizations to provide them with funds for homeownership education programs.

CalHFA Down Payment Assistance Programs has available several down payment programs designed for homebuyers facing different needs, such as living in a high cost area or no down payment funds. The programs are:

- [*Affordable Housing Partnership Program \(AHPP\)*](#) *Contains information on [AHPP list of approved subordinate localities and programs](#), property and income requirements, interest rates and sales price limits.*
- [*California Homebuyer's Down payment Assistance Program \(CHDAP\)*](#)
- [*CalHFA Housing Assistance Program \(CHAP\)*](#)
- [*Extra Credit Teachers Home Purchase Assistance Program \(ECTP\)*](#)
- [*High-Cost Area Home Purchase Assistance Program \(HiCAP\)*](#)
- [*Homeownership In Revitalization Areas Program \(HIRAP\)*](#)
- [*Oakland Teacher Program*](#)
- [*Home Choice Downpayment Assistance Program*](#)
- [*School Facility Fee Down Payment Assistance Program \(SFF\)*](#)

Department of Housing and Urban Development (HUD). The agency maintains several homeownership assistance links. Please consult:

- [California programs sorted by city](#)
- [Clearinghouse for Affordable Housing and Community Finance Resources: **Over 200** housing programs, government, private lenders and foundation grants.](#) Each program listing identifies the goals, eligible activities and type of funding, as well as such critical and timely information as application deadlines and current funding availability.
- [FHA Bridal Registry](#): A special interest-bearing account set up for down payment is available with any participating lender.
- [Local Down Payment Programs](#): Programs listed by locality.
- [Homeownership Vouchers](#): Part of the “Housing choice voucher program” sponsored by the U.S. Department of Housing and Urban Development (HUD). Homeownership vouchers assist public housing residents that are first-time homeowners with their monthly homeownership expenses. The home must pass an initial housing quality standards inspection conducted by the Public Housing Authority (PHA) and an independent home inspection before the local PHA may approve the purchase by the family.

[Fannie Mae's Homebuyer Funds Finder](#). Fannie has very useful web tools to help housing professionals in finding financial funds for borrowers. [Homebuyer Funds Finder](#) helps locate down payment and closing costs. A generic search works best.

[Individual Development Account Network](#). Maintains information on how and where to start matched saving accounts for down payment assistance and other purposes.

Non-profit organizations (NPOs) are the main providers of grants that can be used to cover down payment, closing costs, pre-pays, rate buy-downs and automatic Mortgage Payment Protection. NPOs' ultimate goal is to help people access homeownership and help buyers keep some financial reserves. The flexibility of the programs is also reflected in the fact that most of them allow for repeat buyers, have no income limits or sales price limits. They actively encourage builders and real estate professionals to participate, and they offer training assistance. Inquire with local non-profits about the availability of such programs in your area.

- [American Family Funds](#)
- [AmeriDream Downpayment Gift Program](#)
- [California Cares](#)
- [CHAPA](#)
- [Clearinghouse for Affordable Housing and Community Finance Resources](#)
- [Consumer Debt Solutions Inc. \(CDS\)](#)
- [Fair Housing Assistance Ken Ray Inc.](#)
- [Family Home Providers](#)
- Fannie Mae's [Homebuyer Funds Finder](#)
- [Homeownership Alliance of Non-Profit Downpayment Providers](#)
- [Homes for All Program](#)
- [Housing Action Resource Trust \(HART\)](#)
- [Local housing authority](#) or economic agency can provide information on local NPOs offering assistance.
- [Neighborhood Gold](#)
- [Neighborhood Reinvestment Corporation](#) A prominent organization with several chapters in California.
- [Partners in Charity](#)
- [The Genesis Program](#)
- [The Nehemiah Program](#).

Redevelopment Agencies Set-Asides

To accomplish revitalization of blighted areas *Redevelopment Agencies* (RAs): make loans to small businesses and non-profit incubators; alter, improve, modernize, reconstruct, or rehabilitate existing structures (commercial, residential, industrial and retail); and engage in other activities geared to the preservation of affordable housing, such as the creation or rehabilitation of affordable and market rate housing. The tax increment is the financial backbone of the redevelopment agency. As projects are developed and property values increase, the agency retains all of the resulting increase in property tax revenues. Other local governments (e.g., counties, cities, school districts and special districts), whose jurisdictions overlap, receive property tax revenues based on the property values existing before the redevelopment agency was created. The RA takes the tax increment revenue and spends it on infrastructure and other public improvements that facilitate additional redevelopment projects.

State law requires all redevelopment agencies to **set aside** 20 percent of their tax increment dollars to be spent on programs that increase, improve and preserve the supply of housing for very low-, low- and moderate-income households. If no project is provided within a redevelopment project area, then the funds must be used to build twice that amount elsewhere. Possibilities include financial assistance to upgrade existing units, the construction of new housing, and improvements to public facilities and infrastructure that service low- and moderate-income neighborhoods.

Examples of Affordable Housing Programs offered by RAs:

- Acquisition, Rehabilitation and Donation of Real Property
- First-time Buyer Program
- Post-Buying Counseling
- Rental Housing
- Mobile Home Parks
- Transitional Housing
- New Construction for Owners and SELF-HELP Organizations
- New Construction for Rental Families and Seniors
- Rehabilitation for Owners and Renters
- Remediation of Soil Contamination
- Financing insurance premiums during construction or rehabilitation
- Development of plans, payment of principal, interest, financing or carrying costs on bonds, loans, advances or other indebtedness to finance low- and moderate-income housing

Although not common, it is possible for RAs to declare *exemptions*. “Exemptions” refer to tax increment agencies allowed an excuse from deposit to the Low-Moderate Housing Fund under specific conditions. Before taking an exemption, the jurisdiction must have an adopted housing element that HCD determined

complies with State housing element law. Also, agencies must annually adopt a resolution making one of the following findings:

- Community has no need to increase, improve or preserve the supply of affordable housing
- Less than the required minimum set-aside (20%) is sufficient to meet the community's need
- Community is making a substantial effort to meet its affordable housing need that is equivalent in value to the set-aside amount (only applies if obligations were incurred before May 1991).

RAs can determine autonomously the housing situation in the community and act accordingly. An agency's resolution, unlike the jurisdiction's housing element, is not submitted to HCD for a determination of compliance.”¹

Homebuyer Assistance

RAs have been highly involved in creating small communities of affordable housing. One way to do so is by making land offers to developers who are interested in building multi-unit complexes. The developer must set aside a percentage of the units for affordable housing. Some units will be restricted to either low or moderate-income buyers. If the units are rentals, the holding percentage will be for those who earn less than 100 percent of the median area income.

RAs acquire the land and sell the titles to developers at very reasonable prices so it can replenish its funds to maintain the program. Some of the money from the sale will be set aside to help first-time buyers with silent second loans. RAs also stay very involved in the plan and design of the units to ensure that the complex enhances the area.

Many redevelopment agencies have made good use of their set-aside dollars and have partnered with local housing non-profits to deliver services to the community. The previous list is an example how RAs can put their affordable housing set-aside money to good use. It represents a highlight of the variety of programs to which redevelopment agencies can apply their money. REALTORS® can approach their local redevelopment agency by presenting a concrete housing project. There is no mechanism for joint-participation, so REALTORS® would have to approach any staff member and ask him/her for directions on who to contact to make possible the project. This lack of mechanism means that the parts involved have room to work on the project's objectives and delivery, giving opportunity to novel ideas and joint partnerships.

Important Links:

- ✓ [List of Redevelopment Agencies](#)
- ✓ [Status of Low and Moderate Income Housing Fund \(Exhibit C-1\)](#): information about redevelopment resources available in your area.

¹ Department of Housing and Community Development, *Redevelopment Housing Activities in California Fiscal Year 2000/2001, Executive Summary*, p. 4.

Rental Assistance Programs

The REALTOR® community recognizes the importance of helping people enter and remain in the housing market as both a way of battling homelessness and as the first step towards homeownership. The housing crisis is particularly critical for very-low and low-income renters. According to HCD, nearly half of all renters paid more than 30 percent of their income on housing². With rents and housing prices rising, the crisis is creating a permanent class of renters, families that are not going to attain the dream of homeownership. It is essential that REALTORS® help renters to find the right sources of assistance so that they can remain in their homes and eventually become homeowners. There are several types of rental assistance programs that REALTORS® can get involved with: security deposit, counseling, eviction prevention, and moving. Both non-profits and the federal and state government have already developed working models of such programs.

Non-governmental Rental Assistance Programs

Non-profit organizations help households become renters through several programs. In general the programs have the objective of providing financial assistance (security deposit, moving and eviction prevention/emergency rent payment) or education (counseling) to renters. The ultimate objective is to transition them into a successful responsible tenancy.

Security Deposit Guarantee Program Rental property owners require some type of security deposit from new renters. Often, the amount of the security deposit is equal to two month's rent. For many low- or moderate-income people who live from paycheck to paycheck, the required security deposit is a large up-front cost that they cannot afford, even if they can afford to pay monthly rent. A security deposit guarantee program provides these would-be renters with the means to move into rental housing. Its main characteristics are:

- ✓ Security deposit is payable in installments
- ✓ Landlord is guaranteed to receive the full amount of the security deposit
- ✓ Prospective tenants are screened to determine their financial standing
- ✓ A written agreement guarantees the payment of the deposit to the landlord
- ✓ A standby Letter of Credit is issued to the landlord in the amount of the security deposit in the event that the tenant “defaults” its security deposit agreement.

² [*The State of California's Housing Markets 1990 – 1997.*](#)

Localities offering security deposit assistance programs:

- ✓ **Alameda County** *Eden Council for Hope and Opportunity, Inc. (ECHO):* http://www.alamedaco.info/resource/agencydetail.cfm?pid=ECFHAOI_2_0&page=2
- ✓ **City of Monterey** *Housing Advocacy Council of Monterey County Renter's Assistance* <http://www.monterey.org/housing/rentassist1.html> The Council can counsel other organizations on how to establish a security deposit assistance program and offers local eviction prevention and rental counseling programs. Contact Marilyn Dorman at (831) 424-9186.
- ✓ **City of Santa Cruz** <http://www.hacosantacruz.org/programs.html>
- ✓ **Marin County** http://www.hud.gov/offices/pih/programs/hcv/wtw/ppp/learning/marin_ca.cfm
- ✓ **San Diego County:** List of rent Deposit Guarantee Program http://sandiego.networkofcare.org/aging/resource/tax_list.cfm?sw=BR-300.725-&ageGrp=all&cat=14
- ✓ **Stanislaus County** *Community Services Agency Security Deposit Guarantee Loan Program:* Contact Carol Wright, Phone: 209 558.2863, Fax: 209 558.2558, Email: wrightc@mail.co.stanislaus.ca.us

Security Bond is used instead of a security deposit. The renter pays a one-time non-refundable premium, that could be carried anywhere in the US within participating companies. The premium represents a fraction of the security deposit that the leaser would normally charge in order to get into the rental unit. This program has the advantage of being a one-time voluntary option for the resident and according to the company, and applies to both ends of the rental market, luxury and low-income. The benefits to the property owner are: increased pool of renters, damage or lease violations protection and administrative cost reimbursement for dispensing the program. So far, [SureDeposit](#) is the only known company to be offering its services in California.

Security Deposit Insurance is a nation-wide insurance program that provides coverage for owners and property managers in the event of loss for resident damage to the property. It also protects against loss of income in case a resident vacates without paying last month's rent. The renter pays low monthly insurance premium that takes the place of the security deposit and which can be lowered if the tenants holds a good performance record. The benefits for the property owner are: increased pool of renters, and damage and lease protection. [Deposit Saver](#) is the only known company in the market offering these insurance services.

Emergency Rent Payment or Eviction Prevention Program is designed to assist families in distress by providing them with direct rental assistance to prevent their eviction. Strict guidelines apply in order to guarantee that the recipients are facing and unforeseen emergency. This program is critical in preventing homelessness and can be combined with a counseling program, aimed at helping the household in budgeting or rental issues.

Educational/Counseling Program or tenant counseling is offered to help renters know their rights and obligations when leasing a property. Counseling can also encompass arbitration when disputes or disagreements arise in the tenant-landlord relationship. This program can be used in conjunction with homelessness abatement or with homebuyer educational programs, thus providing REALTORS® with an excellent opportunity to provide people with knowledge on how to become future homeowners. [Local rental organizations](#) are the best source to find established educational/counseling programs. A word of caution: Some of the rental organizations sponsor [rent control](#), thus not making it a good match for working with REALTORS® because of opposing policy objectives.

Moving Assistance can be part of transition from homelessness program or security deposit program. Moving costs are also a barrier for people to get into rental units, as they naturally add up to the deposit costs. Unlike the security deposit guarantee, funds have to be continually replenished. This is a very simple program to structure since it can rely on the screening and other administrative tasks performed by other organizations. It also provides with a very needed service for renters that very few organizations provide.

Government's Rental Assistance Programs

The government has in place several public housing assistance programs designed to provide housing opportunities for low-income households, elderly and persons with disabilities. Section 8 is perhaps the most well-known rental assistance program, but there are others such as public housing, privately owned subsidized housing and rural rental assistance. These programs usually have long waiting lists and each housing authority has its own system for accepting applications for the rental programs they administer. To apply or get information on any of the programs mentioned below, please [contact your local housing authority](#) or the [local housing authorities web sites](#). Another option is to contact the [local housing counseling agency](#) for information about the local resources available to help very-low and low-income households and how to use them.

Public housing is low-income housing, operated by your local housing authority. It was established to provide decent and safe rental housing for eligible low-income families, the elderly, and persons with disabilities. Public housing comes in all sizes and types, from scattered single-family houses to high-rise apartments for elderly families. There are approximately 1.3 million households living in public housing units, managed by some 3,300 Housing Agencies. The U.S. Department of Housing and Urban Development (HUD) administers Federal aid to local housing agencies (HAs) that manage the housing for low-income residents at rents they can afford. HUD furnishes technical and professional assistance for planning, developing and managing these developments.

Section 8 Housing choice vouchers allow very low-income families to choose and lease or purchase safe, decent, and affordable privately owned rental housing. Below is a list of various types of vouchers.

- ✓ [Conversion Vouchers](#)
- ✓ [Fair Market Rents](#)

- ✓ [Family Unification Vouchers](#)
- ✓ [Family Unification/Foster Child Care](#)
- ✓ [Homeownership Vouchers](#)
- ✓ [HOPE for Elderly Independence \(HOPE IV\)](#)
- ✓ [Housing Choice Voucher Program](#)
- ✓ [Income Limits](#)
- ✓ [Moving to Opportunity](#)
- ✓ [Project Based Vouchers](#)
- ✓ [Public Housing Relocation/Replacement](#)
- ✓ [Rental Assistance for Non-Elderly Disabled Families in Support of Designated Housing Allocation Plans](#)
- ✓ [Tenant Based Vouchers](#)
- ✓ [Vouchers for People with Disabilities](#)
- ✓ [Welfare-to-Work Vouchers](#)

Privately owned subsidized housing: The government provides subsidies directly to the owner who then applies those subsidies to the rents he/she charges low-income tenants. There are privately owned subsidized housing units for senior citizens and people with disabilities, as well as for families and individuals. In California, there are more than 1,650 participating properties. To apply: [visit the management office](#) for the site(s) that interest you.

[Rural Rental Assistance Programs:](#) In rural communities, the Department of Agriculture provides rental assistance programs, home improvement and repair loans and grants, and self-help housing loans to low-income individuals and families. [Apply online](#) or contact the local Rural Development office (check the Federal Government section of your telephone book).

[Help with your utility bills:](#) There are several local programs designed to help renters that meet certain income criteria with the cost of their utility bills. The programs are run by the local utilities agencies. In addition, the Low Income Home Energy Assistance Program (LIHEAP) Block Grant, funded by the federal Department of Health and Human Services (DHHS), provides two basic types of services. Eligible low-income persons, via local governmental and nonprofit organizations, can receive financial assistance to offset the costs of heating and/or cooling dwellings, and/or have their dwellings weatherized to make them more energy efficient. This is accomplished through these three program components: The **Weatherization Program** provides free weatherization services to improve the energy efficiency of homes, including attic insulation, weather-stripping, minor housing repairs, and related energy conservation measures. The **Home Energy Assistance Program (HEAP)** provides financial assistance to eligible households to offset the costs of heating and/or cooling dwellings. For more information, call 1-866-675-6623. The **Energy Crisis Intervention Program (ECIP)** provides payments for weather-related or energy-related emergencies. For information on local programs, consult the [Energy Assistance Providers Directory](#).

[**The Renter Assistance Program Franchise Tax Board**](#) allows a once-a-year payment from the State of California to qualified individuals based on part of the property taxes that they paid indirectly when they paid their rent. The maximum assistance payment allowed is \$347.50. You may be eligible to file a 2003 claim for Renter Assistance if you are a United States citizen, designated alien or qualified alien when you file your claim and you met the following criteria on December 31, 2002:

- You were 62 years of age or older, blind, or disabled,
- You lived in a qualified rented residence in California,
- You paid \$50.00 or more per month in rent on that residence, and
- You had a total household income of \$37,676, or less.

[**Education for local tenant rights, laws and protections:**](#) Helps renters learn and exercise their tenant rights. It usually offers free counseling, free legal assistance for tenant issues and in some cases, dispute settlement mechanisms.

[**Promising Program Practices: Welfare to Work Vouchers:**](#) HUD's section "Lease up and Rental Assistance" lists a number of ideas on how public housing authorities can run a Welfare to Work program effectively using the vouchers to create rental opportunities for its holders. Two programs with innovative ideas about rental security deposits are [The Ready to Rent© Program and Rent Guarantee Fund in Portland, OR](#) and the [Security Deposit Assistance in Marin County, CA](#).

Accessing Funds for Rental Assistance Programs

To access funds for rental assistance programs, *Housing Authorities* respond to [Notices of Funding Availability \(NOFAs\)](#) published in the Federal Register. Each NOFA identifies allocation areas, amounts of funds available per area, and the selection criteria for rating and ranking applications. Public Housing Authorities are given at least 30 days to submit applications. Interested households apply for assistance through their PHA. A federal program of interest is HUD's [HOME program](#). It provides grants to state and local governments, which may use them to offer rental assistance. The program's flexibility allows States and local governments to use HOME funds for grants, direct loans, loan guarantees or other forms of credit enhancement, or [rental assistance or security deposits](#). Visit the [HOME Investment Partnership Program](#) page for further information.

[Proposition 46](#) The State of California approved a \$2.1 billion dollar bond measure that provides funds for the construction, rehabilitation and preservation of affordable rental housing, emergency shelters and homeless facilities. Proposition 46 has five rental programs. See Table 1.

Table 1: Housing Rental Programs

| | | |
|--|---|--|
| <u>Multifamily Housing Program (MHP) - Services Space</u> | MHP funds reserved for development of space for health and social services connected to MHP projects. Available with MHP General funds (under the same NOFA). | (916) 327-2886 agilroy@hcd.ca.gov |
| <u>Multifamily Housing Program (MHP) - Student Housing</u> | MHP funds reserved for development of units for low-income university students. | (916) 327-2886 agilroy@hcd.ca.gov |
| <u>Local Housing Trust Fund Program</u> | Matching grants to local agencies who operate local housing trust funds. | (916) 327-2867 rschmunk@hcd.ca.gov |
| <u>Preservation Interim Repositioning Program</u> | Short-term loan to one organization for preservation of "at-risk" subsidized developments. | (916) 327-2867 rschmunk@hcd.ca.gov |
| <u>Exterior Accessibility Grants for Renters</u> | Grants by HCD to local agencies to fund accessibility improvements for disabled renters. | (916) 445-3086 psolomon@hcd.ca.gov |

Rental Programs that lead to Homeownership

There are two programs that directly help tenants become homeowners. REALTORS® should be aware of these because they constitute valuable tools that renters can use to achieve the dream of homeownership.

Section 8 Public housing vouchers for homeownership: Homeownership vouchers can be used to assist first-time homeowners with their monthly homeownership expenses. Families must meet certain income and employment requirements of eligibility. These vouchers are a solid step to help public housing voucher recipients to become homeowners.

Pay Rent Build Credit: This is a new national credit bureau that tracks rent payments and helps renters build a credit score, thereby overcoming one of the most common obstacles that many renters face: the lack of credit.

How REALTORS® Can Get Involved

REALTORS® can participate in any rental assistance program in different capacities:

- ✓ *Direct Provider* – Develops, administers and manages the program. Activities such as fundraising, publicity, recruiting both tenants and landlords, and screening are part of the daily job. In other words, it requires the creation of a

formal rental assistance non-profit organization. This is a time-consuming process that requires a long-term financial and organizational commitment.

- ✓ *Partnership with an existing organization* – Raising public awareness, fundraising, interviewing, education, financial sponsorship and publicity are some of the forms in which REALTORS® can help an existing organization in its efforts to either set-up a new program in the community or support its on-going labor. This has the advantage that limited resources can be used towards a worthy cause.
- ✓ *Government Programs Advocate* – Championing the use of existing resources towards rental assistance programs and specially those that lead to homeownership. Local officials and housing advocates should be aware of existing financial resources to help renters and use them.

Finally, once the level of participation is decided, REALTORS® need to contact any of the following for information, advice or for establishing a partnership:

- ✓ *Local shelter organizations.* Local groups such as the apartment association, church charities or other housing and homeless support groups.
- ✓ *[Local housing authority.](#)* The city or county housing authority. A very good source for finding the local housing non-profit organizations. They are also the primary source for finding government funds.
- ✓ *Local business community.* They might be interested in echoing the efforts of a rental assistance program.
- ✓ *[Local rental organization.](#)* A word of caution, some of the rental organizations sponsor *rent control*, thus not making it a good match for working with REALTORS® because of opposing policy objectives. Many of these organizations have educational programs.

Secondary Mortgage Market

Conventional financing assistance and loan programs are offered by private lenders, non-profit organizations, savings and loan institutions, credit unions, commercial banks, mortgage banking companies and state and local housing finance agencies. These lenders, the originators of loans, are also called primary lenders. By extension, the primary mortgage market is the place where loans originate and are issued directly to the homebuyer by primary lenders.

After issuing loans to homebuyers, primary lenders have the option to keep it in their portfolio or to sell it to the secondary mortgage market in order to replenish their funds and have more money available to issue new loans. The secondary mortgage market includes investors and financial companies, pension funds, housing GSEs ([Government Sponsored Enterprises](#)) and other financial agents.

The [Federal National Mortgage Association](#) (Fannie Mae) and the [Federal Home Loan Mortgage Corporation](#) (Freddie Mac) are the two GSEs that purchase loans from the primary lenders. Their purpose is to support homeownership. They replenish primary lenders' funds and support their financial activity so that lenders have money available for more mortgage loans. Fannie Mae and Freddie Mac do not lend money directly to homebuyers. Instead they fund several of the [affordable financing programs](#) in place in the mortgage market and publish a number of [educational materials](#) for the public, in some instances in other languages than English, to provide consumers with the necessary tools to become knowledgeable in the home-purchasing and home-owning process. The loans issued through their sponsorship are called conforming loans because the primary lender drafts the loan according to the secondary purchaser's terms. Their loans are designed to help people become homeowners in spite of the challenges they face, such as coming with a down payment or having credit problems.