

**MAYOR'S OFFICE OF HOUSING
AND COMMUNITY DEVELOPMENT**
CITY AND COUNTY OF SAN FRANCISCO



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BMR DALP Announcement

BMR DALP-2016-11

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To: Participating Lenders

Financial assistance made available under the Below Market Rate Downpayment Assistance Loan (BMR DALP) Program may only be used to cover the need-based downpayment assistance for low and moderate income households who otherwise would not be able to purchase a BMR. The City and County of San Francisco (the "City"), Mayor's Office of Housing and Community Development (MOHCD) will only extend loan funds when is necessary for a borrower to qualify for an affordable mortgage, in conjunction with a BMR purchase.

Roles and Responsibilities of the Participating Lender

In accordance with the Program guidelines and its purpose, the participating lenders shall assume the following roles and responsibilities:

1. Lender determines the Borrower's financial ability to purchase the desired property.
2. Lender is to make every effort to qualify the Borrower for the maximum financing on the first mortgage.
3. Lender submits the **Needs Assessment Worksheet** and evidence of financing the maximum 1st mortgage loan amount when submitting an application for a BMR DALP loan.

BMR DALP Loan Amount

The amount shall be the lessor of:

- a) Amount of need as established by the Needs Assessment Worksheet (based on the maximum financing); or
- b) Maximum BMR DALP loan amount (up to 15% of purchase price) per program

Under no circumstances will the City provide funds to a homebuyer in excess of what is needed to close the loan.

Eligible Uses of BMR DALP Funds

- BMR DALP funds can be used to contribute to the need-based downpayment for the Borrower's household who otherwise would not be able to purchase a BMR.
- BMR DALP funds can be used to enable the Borrower to meet the maximum debt-to-income ratio established making the mortgage payment affordable to the Borrower.
- BMR DALP funds cannot be used as a cushion factor to make the loan more appealing to the Borrower and/or the lender.
- BMR DALP funds cannot be used to pay for improvement and repair costs.
- BMR DALP funds cannot be used to pay down the first mortgage principal, debts or liens.
- Cash disbursed to the Borrower cannot exceed \$250 at close of escrow. Any excess cash must first be applied towards the reduction of BMR DALP loan amount.

In order to avoid cash back issues at closing, lenders should re-calculate the Needs Assessment Worksheet where applicable after receiving an estimated closing statement. Adjustments should be made to the loan amount if necessary prior to releasing loan documents. If in doubt, lenders shall reduce the BMR DALP loan amount slightly than risk the chance of the borrower receiving cash back.

Instructions for Needs Assessment Worksheet

The participating lender shall use the **Needs Assessment Worksheet** through loan originating to underwriting process to determine the exact amount of funds needed. The Needs Assessment Worksheet should be completed using borrower's most current bank statements, estimated closing costs, prepaids and required escrows. These figures should match 1003 and lender's loan approval. The figures should be adjusted accordingly as the borrower's situation changes but only to a limited extent.

Changes made to qualify for a larger amount of BMR DALP loan are prohibited. These include but are not limited to: 1) reducing the gift funds stated on the application; 2) lowering the 1st mortgage loan amount the Borrower was pre-qualified for; 3) reducing third party credits and contributions; or 4) any other changes for the purpose of increasing the BMR DALP loan amounts. Reasonable fee changes resulting from an underestimation of customary closing costs are acceptable.

Calculating Maximum Financing

To calculate the maximum 1st mortgage loan amount, the lender shall follow the steps outlined on the Needs Assessment Worksheet. The lender determines the total costs of unit acquisition by adding the purchase price and closing costs, prepaids and escrows. The lender then determines the available fund to close which includes third party credits/contributions, any subordinate financing (except 1st mortgage, BMR lien and BMR DALP), and Borrower's total assets available for closing.

Borrower's total assets available for closing includes liquid assets, retirement funds to be liquidated, gift funds, and cleared earnest money deposits. The lender will subtract out the allowed liquid reserves from the Borrower's total assets available for closing. The allowed liquid reserves shall be the greater of 3 months PITIA (principal, interest, property tax, insurance and HOA dues) or maximum \$15,000 (Step 6 E Reserves of Needs Assessment Worksheet).

The lender calculates the maximum 1st mortgage loan amount by subtracting Borrower's available fund to close from the total costs of unit acquisition (Step 8 of Needs Assessment Worksheet). If the Borrower

cannot qualify for the amount listed, the lender must specify the reason(s) and provide the documents to support the maximum 1st loan amount based on borrower's "qualifying capacity", such as Transmittal Summary Form 1008, DU Findings Report or LP Feedback Report, and/or underwriting analysis.

The maximum BMR DALP loan amount would be the difference of the maximum 1st mortgage loan amount (the result of Step 8) and the maximum 1st loan amount the Borrower can qualify for (the result of Step 11). The Program Fund is to enable the Borrower to meet the maximum debt-to-income ratio established making the mortgage payment affordable to the Borrower.

San Francisco DALP Manual Update

San Francisco DALP Manual 10/2016, BMR DALP has been updated to require the lenders to submit the Needs Assessment Worksheet and evidence of financing the maximum 1st mortgage loan amount when submitting an application for a BMR DALP loan.

Effective Date

This policy will apply immediately to all BMR DALP applications in review by MOHCD, and the approval will be granted on a case-by-case basis. For all the new applications received on or after December 1, 2016, the Lender must implement the policy.

Please contact MOHCD Homeownership Programs at 415-701-5500 with any questions regarding this Announcement.