



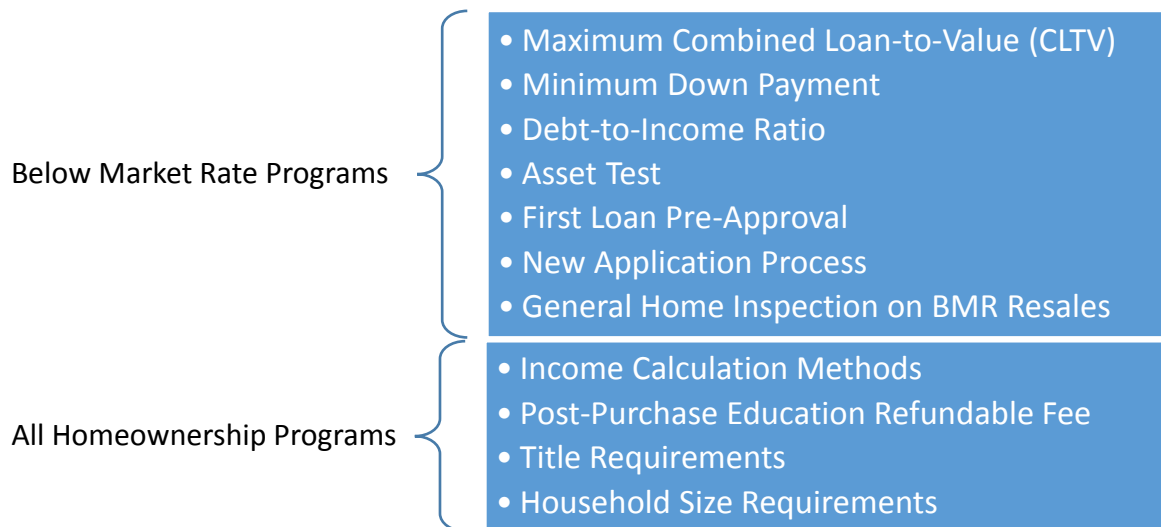
BMR Manual and Homeownership Programs Announcement

MOHCD Homeownership Program Announcement 2018-02

Date of Announcement: October 23, 2018

The Mayor's Office of Housing and Community Development (MOHCD) is pleased to announce the 2018 Inclusionary Affordable Housing Program Monitoring and Procedures Manual (the "Manual") is now available on its website at <https://sfmohcd.org/inclusionary-housing-program-manuals>.

This announcement also addresses homeownership program updates to the following topics:



Each of the updates is described below. MOHCD partners should review each topic to gain a full understanding of the policy changes.

Changes related to Below Market Rate (BMR) Programs

The changes will apply to all MOHCD BMR Programs: Inclusionary Affordable Housing Program, Limited Equity Program and Condo Conversion BMR Programs.

Combined Loan-to-Value (CLTV) and Down Payment Requirement

- Maximum CLTV: 97%
- Minimum Down Payment: 3% (the entire 3% can come from gift funds if necessary)

Debt-to-Income Ratio

- Front-end or housing ratio: no lower than 28% and no higher than 40%
 - MOHCD may consider a maximum front-end ratio up to 43% if two or more of the following indicators are present: (i) proven ability to devote a larger amount of income to housing expenses. The applicant has successfully demonstrated an ability to make rental payments for twelve (12) consecutive months that are equal to or greater than the proposed monthly payments for the housing being purchased; (ii) at least twelve (12) months of housing expenses in reserves through non-liquid assets and retirement accounts; (iii) FICO score

greater than 700; and (iv) the proposed housing expenses will not increase more than five (5) percent over previous housing expenses.

- Back-end ratio or total debt-to-income (DTI) ratio: no higher than 45%

Asset Test

If a Household contributes twenty percent (20%) or more of a BMR purchase price, the greater of the following amounts will be excluded from the liquid asset test calculation: 1) up to twenty percent (20%) of a Household's contribution of the BMR purchase price towards the down payment, or 2) the first \$60,000. Any remaining liquid assets will be multiplied by ten percent (10%) and the product will be added to the total Household income.

If a Household contributes less than twenty percent (20%) of a BMR purchase price, only the first \$60,000 of liquid assets will be excluded from the asset test calculations. Any remaining liquid assets will be multiplied by ten percent (10%) and the product will be added to the total Household income.

See Section III (D) (*Asset Test -Income Calculated from Assets*) of the Manual for an example of asset test.

First Loan Pre-Approval

A loan pre-approval letter does not have to be project or property specific, but must:

- Be issued by a MOHCD-Approved Lender listed at www.sfmohcd.org.
- Name all adults aged 18 and older in the applicant's Household unless qualified for the exceptions as described in Section IV (A)(2) (Title Requirements) of the Manual.
- Be dated within 120 days of the applicant's application.
- Contain a maximum loan amount.
- Include an estimated monthly Homeowners Association (HOA) dues and maximum sales price that meets or exceeds the actual HOA Dues and sales price of the BMR Unit.

Estimated HOA dues for 2018 based on bedroom size:

Bedroom Size	Studio	One	Two	Three	Four
HOA dues	\$618	\$640	\$712	\$745	\$793

The actual HOA dues vary from project to project. Above are estimates only and shall be used as a reference.

New Application Process

MOHCD removed Income and asset documentation from the applicant's initial (lottery) application. After the lottery, the project sponsors will contact the applicants in lottery rank order and invite them to submit a supplemental application with income and asset documentation within 5 business days.

BMR Ownership Lottery Application and BMR Ownership Supplemental Application forms are posted on the MOHCD's website at <https://sfmohcd.org/homeownership-application>. Be sure you are using the most current version. An outdated version will be not accepted by MOHCD.

General Home Inspection Report

A "general home inspection", performed by a state-licensed and independent third party home inspector, is required for all BMR resale units. The inspection should include electrical, wiring, plumbing, roofing, insulation and structural features. For newly constructed BMR units, an

inspection report is not required. All BMR applicants must submit a signed General Release and Waiver of Liability form.

Changes related to All Homeownership Programs

The changes will apply to all MOHCD's homeownership programs: BMR Programs and Downpayment Assistance Loan Programs.

Income Calculation Methods

The following are the two methods adopted by MOHCD to calculate baseline Household income. MOHCD will use the greater of:

- Current total annual income from all sources projected 12 months forward; or
- Total Gross Annual Income from all sources earned in the immediate past tax year

Baseline Household income is generally determined by one or both of the above methods. If documents provided by an applicant demonstrate that there has been a decrease in income by more than 20% from the last year (e.g. 2017) to the year before last year (e.g. 2016), MOHCD may require additional documentation to analyze the income change and may average the income reflected on the immediate past 2 years (e.g. 2016 and 2017) of tax returns.

See Section III (B) of the Manual for details.

Post-Purchase Education Refundable Fee

As part of the closing costs, homebuyers are required to pay a Post-Purchase Education deposit of \$200 to encourage attendance at a "Post Purchase" workshop. This deposit will be authorized by MOHCD in the City's escrow instructions. The Title Company must collect the deposit at escrow and issue a check to Homeownership SF, located at 275 5th Street, Suite 314, San Francisco, CA 94103, along with a certified copy of the final Settlement Statement. The fee will be refunded in full to homeowners who complete all 6 hours of post purchase education within 24 months of purchase.

Lenders shall follow the Real Estate Settlement Procedures Act (12 U.S.C. 2601 et seq.) for proper disclosure of the Post-Purchase Education refundable fee.

Title Requirements

All Household members aged 18 and older must appear on the title of the property and be co-borrowers on the mortgage. The following exceptions apply:

- Legal dependents of titleholders as claimed on the two (2) most recent federal income tax returns.
- A Household member younger than age twenty-four (24) who is the child of a titleholder and will reside in the property as their Primary Residence, regardless of being named as a dependent on the federal tax form.
- Household members that do not count toward the bedroom count and whose income does not change the applicant's Household income eligibility.

In all cases, spouses and domestic partners must appear on the title of the property and be co-borrower on the mortgage.

Household Size Requirements

- A fiancé, Spouse or Domestic Partner or any other person who has any combined finances with the applicant or a member of the applicant's Household is considered a Household member.
- Children not claimed as dependents on an applicant's federal tax return may be considered part of the Household if there is a court ordered custody agreement allowing the child's time with the applicant to be 30% or more.
- Unborn children are not counted into Household size.

Please note that the household size requirements do not apply to First Responders Downpayment Assistance Loan Program (FRDALP), Educator Downpayment Assistance Loan Program (E-DALP) and Teacher Next Door (TND) Programs.

Effective Date

These changes are effective immediately for all BMR lottery applications or DALP loan applications received on or after October 23, 2018. For applications received before October 23, 2018, MOHCD may implement the changes for qualifying purposes.

Program Manual Update

The BMR Manual is being updated to reflect the policy changes.

Loan Assistance Program Manuals will be updated to reflect the policy changes, and updated version will be posted on the program pages of the MOHCD's website.

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