



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

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**Homeowner Emergency Loan Program (HELP)
Operating and Procedures Manual**

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I. INTRODUCTION

The purpose of the Homeowner Emergency Assistance Loan Program (HELP) is to assist San Francisco low to moderate homeowners in need of a one-time emergency financial assistance loan due to an unforeseen financial hardship. HELP loans will be available to applicants who demonstrate the most need and meet all program guidelines.

II. DEFINITIONS

BMR Owner: Owner of a BMR unit.

Below Market Rate Unit or BMR Unit: A property that is affordable because of price and/or eligibility limits and will usually have resale restrictions, administered by MOHCD.

Borrower: All persons who have any ownership interest in the Property.

Commitment Letter: A letter issued by MOHCD upon approval of Borrower(s) HELP application. The Commitment Letter will expire after 30 days.

Director: Director of the Mayor's Office of Housing and Community Development, or other official designated by the Mayor of the City and County of San Francisco.

Deed of Trust: A deed of trust granting the City and County of San Francisco a security interest in the Property to secure the Promissory Note.

Dependents: Adult senior or minor household members who reside and will reside in the Property and are declared as a dependent in the Borrower's most recent federal income tax returns. Spouses or Domestic Partners are not considered dependents

Domestic Partner/Partnership: Any Federal or State registered domestic partnership.

Equity: The current Fair Market Value of the Property minus any outstanding loans or liens secured by the Property.

Fair Market Value: The value of a market-rate principal residence based upon an appraisal performed by an authorized appraiser. The appraisal to determine Fair Market Value must be dated within 45 days of the HELP application. For Below Market Rate Units, the value will be determined by MOHCD by calculating the restricted sales price. The restricted sales price will be used in place of a full property appraisal.

Front-end ratio: Means the ratio between gross monthly household income and Monthly Housing Cost, including mortgage principal, interest, taxes, insurance and HOA monthly dues.

Gross Income: Income received before any deductions for taxes, expenses or other items.

HO-6: Homeowner's insurance specifically for condominiums. It covers the interior walls, fixtures, and personal property inside a condominium.

Household: Any person or persons who reside in the same residential unit.

Household Liquid Assets: Generally, an asset that can be converted into cash with little or no loss in value. Funds held in a pension account, retirement fund, 401K plan, trust fund, or similar asset that is not available for liquidation are not considered Household Liquid Assets.

Loan Agreement: An agreement between the Borrower(s) and the City and County of San Francisco, setting out the terms and conditions of the HELP loan.

Loan-to-value-ratio: The percentage of a property's value that a lender can or may lend to a borrower.

Maximum Household Income: The maximum income allowed for a Household applying for HELP as determined by Household size.

MOHCD-Approved Foreclosure Intervention Counseling Provider: A HUD approved housing counseling agency and certified by MOHCD as listed on www.sfmohcd.org

MOHCD: The Mayor's Office of Housing and Community Development

Primary Residence: A unit where a person resides at least ten (10) out of twelve (12) months of each calendar year.

Promissory Note: A promissory note executed by Borrower(s) promising to repay the HELP loan, including the share of appreciation, to the City and County of San Francisco

Property means the permanent residential structure such as a single family home, condominium or townhouse located in the City and County of San Francisco in which the Borrower(s) grant a security interest to the City to secure the HELP loan.

Share of Appreciation: A percentage of the appreciated value of the Property at the time of repayment, and/or sale, non-owner occupancy, rent or default of the HELP loan guidelines and restrictions.

Special Assessment: A proportional fee charged to an Owner by the Homeowners Association (HOA) to cover the costs of physical improvement to the common areas of the project.

Spouse: A partner in a legal marriage.

Transfer: Any voluntary or involuntary sale, assignment, or transfer of any ownership interest in a unit.

III. ELIGIBILITY

A. Property Eligibility Criteria

The following criteria must be met by properties to be eligible for funding under the requirements of HELP:

1. Permanent residential structure such as a single family home, condominium or townhouse located in the City and County of San Francisco.
2. All residential units must meet the San Francisco Planning Department's definition of "dwelling unit," in habitable condition, and fully conform with Planning Code requirements applicable to the site, including zoning, code compliance, and any relevant neighborhood plan controls.
3. Properties with up to four (4) units are eligible to obtain a HELP loan, but at least one unit must be occupied by the property owner as the property owner's Primary Residence.
4. The Property must be free of all liens not approved by MOHCD. These include liens for delinquent taxes, judgments, mechanics' liens, reverse mortgage liens, or any other liens that could jeopardize the City's loan security. All liens owed to the City for delinquent payments must be satisfied before obtaining a HELP loan.
5. The Property must be owner-occupied as the property owner's Primary Residence at the time of the HELP application and must remain so throughout loan term, which is detailed in Section IV.
6. Market-rate and Below Market-Rate Units are eligible to obtain a HELP loan.
7. Ineligible properties include recreational vehicles, campers or similar vehicles, mobile homes, Tenancies-in-common (TICs) and limited housing.
8. There must be available Equity in the Property
9. Below Market Rate Units and/or properties bought using City funds must be in compliance with MOHCD program requirements before the HELP loan is approved.
10. Property must have current and valid homeowner's insurance.

B. Borrower Eligibility Criteria

The following criteria must be met by all Borrowers to be eligible for funding under the requirements of the HELP loan:

1. Borrower(s) must be all legal owner(s) of the Property. Each person named on the property's title must be an Applicant and sign all program and loan documents. Applicant(s) must have the right to encumber the Property. Title must be held by individual persons or a trust. If property is held in a trust, a copy of the trust must be provided to MOHCD and all trustees must agree to execute all documents pertaining to the HELP loan. Title cannot be held through any corporate entity.
2. All Borrower(s) must occupy the Property as their primary residence at the time of application and loan closing and must remain owner-occupants throughout the loan term.
3. All Borrower(s) must attend one-on-one foreclosure intervention counseling provided by a participating HUD approved housing counseling agency listed in www.homeownershipsf.org

A housing counselor can work with the first mortgage lender on the Property and inquire about all possible options, including but not limited to a loan modification, forbearance, and repayment plan.

A copy of the Borrower's action plan with a budget, including any/all loss mitigation paperwork and information must be submitted to MOHCD with the HELP application.

4. Borrower(s) must provide documentation to verify inability to secure financing from traditional lenders and/or ineligibility for other financial options prior to HELP loan consideration.
5. Borrower(s) total combined household gross income must not exceed 120% of the Unadjusted Area Median Income (AMI) for the year in which the application is submitted. MOHCD sets the income limits determined by the United States Department of Housing and Urban Development ("HUD"). MOHCD lists incomes by Household size at <http://sfmohcd.org/income-limit-rent-limit-and-price-level-information-mohcd-programs>. The gross income determination will be made by MOHCD in its sole discretion. Please refer to Appendix A; Calculating Annual Gross Income.
6. Household total liquid assets may not exceed One Hundred and Fifty Thousand (\$150,000). Please refer to Appendix A section III (Determining Assets) for complete description of liquid assets.
7. Front-end or housing ratio cannot be below 28% or above 40%.
8. Borrower(s) must provide sufficient evidence of a financial hardship. A hardship is defined as an unforeseen event that has caused financial adversity such as death, divorce, disability, unemployment, underemployment, unexpected medical expenses, or HOA special assessments. Homeowners who may be victims of predatory lending practices and/or unaffordable adjustments to HOA dues and first mortgage loans may also apply for HELP if these increases are causing a financial hardship.

C. General Requirements and Compliance

1. **Hazard Insurance** must be maintained by Borrower(s) for the life of the loan including fire and extended coverage with a loss payable endorsement to the:

City and County of San Francisco
c/o Mayor's Office of Housing and Community Development
1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103
Loan# _____

2. **Title Insurance Policy:** The outstanding principal balance of the HELP loan must be covered by an ALTA Lender's Policy of Title Insurance naming the City and County of San Francisco c/o Mayor's Office of Housing and Community Development as it interests appear.
3. **Non-Discrimination and Privacy Requirements:** All borrower eligibility requirements contained in this manual must be applied without regard to the race, creed, color, gender, religion, or national origin of the borrower. It should be noted that all borrowers in the Homeowner Emergency Assistance Loan Program (HELP) are subject to the requirements of the Sunshine ordinance and may have any records provided to the City become a matter of public information upon appropriate request.
4. **Public Records Act:** The City and County of San Francisco is subject to the requirements of California Public Records Act, Government Code Section 6250, et seq. The Public Records Act provides that virtually all documents held or used by the City in the course of conducting the public's

business are public records which the City, subject to certain limited exemptions, must make available for inspection and copying by the public. Applications for loans or grants from the City are public records as are the completed loan and grant documents. Under Section 67.24(e) of San Francisco Administrative Code, applications for financing and all other records of communications between the City and the Borrower must be open to public inspection immediately after a contract has been awarded. All information provided by Borrower which is covered by that ordinance (as it may be amended) will be made available to the public upon appropriate request.

D. Eligible Use of HELP Funds

HELP funds may be used only to cure the following delinquent accounts:

1. Secured Property Taxes
2. HOA Monthly Dues
3. HOA Special Assessments
4. Mortgage payments

IV. LOAN TERMS and REQUIREMENTS

A. HELP Loan Limits

The loan amount will be determined by the default amount(s) as stated on documentation provided by the lien holder(s).

- Minimum Loan Amount: \$5,000 not including non-recurring closing costs.
- Maximum Loan Amount: \$50,000 including non-recurring closing costs. Requests for loan amounts exceeding \$50,000 will be made on a case-by-case basis at MOHCD's full discretion.
- Cash out of escrow to the homeowner is prohibited.

B. HELP Loan Term

The HELP loan is due and payable in thirty (30) years or upon an earlier sale, change or transfer of title, failure of the property owner to occupy the Property as the property owner's Principal Residence, or other non-compliance with the terms of the HELP loan. The HELP is a no interest, no monthly payment, and deferred loan. Instead of interest, the Borrower(s) pay(s) a percentage share of appreciation as described in section IV, D.

C. Appraisal Requirements:

A full appraisal from a licensed, city-certified vendor must be performed. The appraiser will inspect both the exterior and interior of the property and is required to determine the loan-to-value ratio.

When the property is a Below-Market-Rate (BMR) unit, the appraised value will be determined by the restricted resale price calculated by MOHCD.

The appraisal requirement will be waived if current loan-to-value ratio is below 50% based on the estimated value derived from the average of three reputable online property value websites.

The loan-to-value ratio, when combined with all other indebtedness secured by the property, may not exceed 100% of the appraised value.

D. Share of Appreciation

Borrower(s) will repay the principal amount of the HELP loan plus a share of appreciation. The share of appreciation is based on the Fair Market Value of the Property (or the Restricted Resale Price of Below-Market-Rate (BMR) unit calculated by the MOHCD) and is determined by dividing the principal amount of the HELP loan by the Fair Market Value or Restricted Sales Price).

For example, suppose that when you sell the property in the future the new property value is \$875,000.

The City repayment obligation will be:

A. HELP Principle Loan	\$50,000
B. Property value @ application (or for BMRs: BMR Restricted Resale Price)	\$800,000
C. Appreciation Share (A/B)	6%
D. *New Property Value at time of Sale or Pay off	\$875,000
E. Appreciation (D-B)	\$75,000
F. Appreciation Share (C)	6%
G. Appreciation Share Amount (E x F)	\$4,500
H. Original HELP Loan Amount (same as A)	\$50,000
I. Total Due to City (G+H)	\$54,500

* "New Property Value" is used for sample calculation only.

E. Commitment, Loan Agreement, Note, and Security

Borrower(s) must execute certain loan closing documents, including the ones listed below, in order to receive the HELP loan. The provisions of each of the documents below govern repayment, default, remedies, and other terms of the HELP loan. Borrower(s) should review each document they are asked to sign, and ask any questions they may have. Borrower(s) may wish to have a lawyer review the loan closing documents. These legal documents will supersede any conflicting information in this manual.

1. **Commitment Letter.**
2. **Loan Agreement.**
3. **Promissory Note.**
4. **Deed of Trust.** The Deed of Trust will be recorded and will remain an encumbrance on the title to the Property for the life of the loan.

F. Refinance and Subordination

1. **Refinancing of Senior Liens:** Requests for refinancing are subject to MOHCD's approval. Once approved, MOHCD will subordinate the HELP loan to the new loan, accordingly.
2. **Subordination:** The HELP loan can be subordinated to the refinancing of the existing loan secured the first deed of trust in order to lower interest rates and obtain better loan terms. However, as a condition to any refinancing transactions, the property owner(s) may not receive cash, and may not pay off installment accounts or consolidate credit accounts through a refinance. All subordination and refinance transactions must adhere to MOHCD's subordination and refinance policies.

G. Loan Assumptions

HELP loan is non-transferrable and unassumable.

H. Loan Servicing

HELP loans will be serviced and monitored by MOHCD staff or MOHCD may hire a third-party servicer.

I. Prepayment and Prepayment Penalty

Borrower(s) may prepay the principal and share of appreciation in full at any time. Borrower(s) may not partially prepay the principal and share of appreciation. There is no prepayment penalty for repaying the HELP loan before it is due.

J. Compliance with Federal, State, and Local Laws and Ordinances

Program funds must be used in accordance with Federal, State and local laws, rules, regulations and directives as they apply.

K. Loan Closing

Upon approval of a HELP loan, the Borrower(s) will be sent a Commitment Letter detailing the date and time of the closing. The assigned title company will conduct an in-house closing for each HELP loan, at which time the Borrower(s) must execute the following documents:

- Commitment Letter
- Loan Agreement
- Promissory Note
- Deed of Trust
- Request for Notice of Default

L. Hardship Extension:

Borrower(s) may request from MOHCD a HELP loan term extension based on eligible hardship, which MOHCD will consider on a case-by-case basis at MOHCD's full discretion.

M. Title Transfers

Changes in the title to the Property are not permitted during the term of the HELP loan, except as specifically provided in this section. With prior written approval from MOHCD, deletion of a Borrower or co-Borrower from title may be allowed.

In addition, the following transfers of title will not require the repayment of the loan:

1. A transfer to a surviving joint tenant by devise, descent, or operation of law on the death of a joint tenant.
2. A transfer, in which the transferee is a person who occupies or will occupy the Property as follows:
 - a. A transfer where the spouse becomes an owner of the Property;
 - b. A transfer resulting from a decree of dissolution of marriage, legal separation agreement, or from an incidental property settlement agreement by which the spouse becomes an owner of the Property; or
 - c. A transfer into an inter vivos trust in which the borrower is and remains the beneficiary and occupant of the property.

N. General Requirements

1. HELP funds must be used towards bringing the first mortgage loan current before any other use of the funds.
2. One HELP loan may be given per Household. Additional HELP loans may be considered after previous HELP loans have been paid in full and all HELP eligibility requirements are met.
3. MOHCD may delegate part of its administrative functions to a title or escrow company to fund and disburse the HELP loan.

V. ANNUAL MONITORING

MOHCD requires occupancy certification on an annual basis during the life of the loan. Property owners who obtained a HELP loan are required to provide information and documentation to verify that the Property is the property owner's Primary Residence, insurance, and any other information deemed necessary by MOHCD to determine compliance with the HELP loan. At its discretion, MOHCD may require additional documentation after submittal of the initial documentation. MOHCD will not consider requests for subordination, title change, or other requests if a Borrower is not in compliance with any term of the HELP loan.

VI. APPLICATION PROCESS

The following describes the process for applying for a HELP loan.

A. Borrower's Responsibilities: Borrower(s) must

- 1) complete a one-on-one foreclosure intervention counseling session with a participating HUD approved housing counseling agency listed on www.homeownershipsf.org;
- 2) exhaust all available options to cure default before applying for a HELP loan;

- 3) work with housing counselor to submit a complete HELP application packet;
- 4) execute all loan and closing documents in a timely manner before loan closing; and
- 5) comply with MOCHD requirements, restrictions, and monitoring requests on an annual basis for the life of the loan.

B. HUD Approved Housing Counseling Agency Responsibilities:

- 1) the counselor has reviewed the Borrower's application to ensure the Borrower meets the program guidelines;
- 2) the counselor has examined alternative options with Borrower to cure defaults including, but not limited to, modification, forbearance, repayment plan, traditional loan or refinance, etc.;
- 3) the counselor provides assistance to Borrower during the application process for all alternative options identified;
- 4) once the counselor determines an alternative option is not available to the property owner, the counselor submits a complete HELP application packet using the ShareFile link located on the HELP application;

C. MOHCD's Responsibility:

Upon receipt of a complete HELP loan application packet, MOHCD will review the information for completeness and make an initial determination of the applicants' eligibility.

- 1) To determine eligibility, MOHCD will review and verify:
 - Application completeness;
 - Applicant eligibility;
 - Property eligibility;
 - Property taxes have been paid (if the HELP loan is for any other default);
 - Property insurance is satisfactory and current; and
 - All other HELP eligibility criteria is satisfactory.

MOHCD will then:

- Issue a Commitment Letter if the loan is approved or a disqualification letter if the loan application is not approved within (10) business days of receipt of a complete packet;
- Upon receipt of the signed Commitment Letter (Borrower must sign Commitment Letter in the presence of MOHCD staff within (5) business days from the date of issue), email the closing documents and instructions to title company.

After Borrower(s) signs the required documents, the title company will send the executed original Promissory Note to MOHCD and the digitally submit the following documents to MOHCD for review before funding:

- True and correct copy of the signed City escrow instructions;
- True and correct copy of the executed Deed of Trust;
- True and correct copy of the Requested for Copy of Notice of Default;
- Certificate of Homeowner Insurance Policy or HO6 Insurance Policy;

After receipt of the executed original Promissory Note and copies of documents described above from escrow MOHCD will:

- Send the HELP loan funds to escrow within five (5) business days after approving the closing documents.

- Close the HELP loan on or before the Commitment Letter expires. If for any reason, the Help loan cannot close before the Commitment Letter expires, please notify MOHCD immediately.
- Monitor Borrower(s) throughout the life of the loan to ensure compliance with occupancy requirements.

D. Application Requirements

All HELP applicants must supply the following documentation to MOHCD to determine program eligibility of all property owners on title, including:

- Copy of current and photo ID for all applicants listed on title;
- Copies of the past two (2) years IRS tax returns, complete with all W-2s, 1099s and schedules, signed and dated;
- Copy of one (1) month of current and consecutive pay stubs, or equivalent;
- If self-employed, provide most recent year-to-date profit and loss statement;
- Copy of two (2) current and consecutive statements from every liquid asset account or personal cash holdings; including all custodial accounts held for minors (all pages);
- Copy of current and valid Property Insurance Declaration;
- Copy of most current Homeowner's Association dues statement (where applicable);
- Copy of most current mortgage statement;
- Copy of statement to confirm default;
- Hardship Letter, signed and dated;
- Budget and verification of unavailable alternative options;
- Signed and dated Fair Lending Notice;
- Signed Self-Employed Declaration (where applicable); signed Unemployed Declaration (where applicable);
- Signed Income Tax Declaration (where applicable)

The oldest form of income documentation must not be dated more than 90 days old at the time of execution of the Loan Agreement, Promissory Note, and Deed of Trust. If documentation is expired, MOHCD reserves the right to request updated documentation before closing the loan. An application may be cancelled if updated documentation is not provided within 3 business days of the request.

Appendix A

Calculating Annual Gross Income

DETERMINING INCOME AND ASSETS

Each year, the City sets the income limit for the HELP program guidelines based on San Francisco's Area Median Income (AMI). AMI is the median income; half of San Franciscan Household incomes earn above the median and half are below. MOHCD sets Income Limits based on determined by the United States Department of Housing and Urban Development (HUD) for the local area (San Francisco, Marin, and San Mateo Counties combined). Incomes are adjusted solely for Household size and not for high housing cost area. MOHCD lists incomes by Household size at <http://sfmohcd.org/income-limit-rent-limit-and-price-level-information-mohcd-programs>.

Calculating total Household income is key to determining whether the applicant Household is income and assets-eligible for the HELP Program. Total Household income consists of all sources of income of ALL Household members age 18 or older that will occupy the unit, regardless of dependency status.

A. Income Sources

1. Income Inclusions

Income includes, but is not limited to, the following sources:

- Gross compensation for services, including all wages and salaries, overtime pay, commissions, fees, tips, bonuses, and similar items;
- The full, gross amount of periodic payments received from social security, annuities, insurance policies, IRA distributions, retirement funds, pensions, disability or death benefits, CalWorks, TANF, unemployment and other similar types of periodic receipt including a lump sum payment for the delayed start of a periodic payment; include amounts received by adults on behalf of minors, or by minors intended for their own support;
- Payments received from the care of foster children or adults, or adoption assistance;
- Payments in lieu of earnings, such as unemployment and disability compensation, and worker's compensation;
- Welfare/public assistance income (excluding food stamps);
- Alimony/maintenance and child support payments;
- All regular pay, special pay, and allowances of a member of the Armed Forces;
- Income from salaries, and other amounts derived from operation of a business or profession;
- Income from the use, lease, or sale of assets;
- Income from an interest in an estate or trust;
- Interest; dividends; capital gains; rents; and royalties;
- Lottery/gambling winnings paid in periodic payments;
- Allowances paid by a non-Household member for housing, auto, food, etc.; and,
- Recurring contributions or gifts regularly received from entities or from persons not residing in the dwelling.

2. Income Exclusions

The following sources of income will be excluded from the total Household income, but may be included when calculating total assets.

- Income from the employment of any Household members under the age of 18 unless such income producing Household member is a borrower on the loan;
- Lump sum additions to family assets (e.g., inheritances, capital gains, insurance policy, death benefit payment, stock options payout);
- Medical expense reimbursement received specifically for the medical expense of a Household member;
- Income of a live-in aide; and
- Amounts of educational scholarships paid directly to a student or an educational institution, and the amount paid by the government to a veteran for use in meeting the cost of tuition, fees, books, and equipment.

3. General Income Information and Regulations

a) *Wages and Salary*

MOHCD will use the most current paystubs for applicants to determine income for the current year. The paystub must be dated no earlier than 30 days prior to the application date and it must include all year-to-date (YTD) earnings. Additional documentation, such as verification of employment on a form approved by MOHCD from the applicant's employer, may be required.

b) *Overtime, Tips, Bonuses and Commission*

When calculating income based on paystubs, overtime pay, tips, bonuses, and commission will be annualized unless the applicant can provide documentation from the employer verifying that such income was a one-time occurrence. In this case, the amount will be removed from the annualization of the income and added in one time to the total annual income that is determined.

c) *Seasonal Workers*

Income for Household members employed as seasonal workers who provide a verification of employment from their employer(s) verifying that the work does not occur year-round, will not be annualized.

d) *Child Support*

Income from child support may be excluded with evidence that the child support is scheduled to be terminated within 3 months of the date of application.

e) *Government Income*

For applicants receiving income from a governmental entity of any type, the income is derived by annualizing a regular monthly statement or by referring to an award letter. Government income includes, but is not limited to, government paid retirement, annuity, or pension income.

f) *Self-employed or Income from Business*

All self-employed applicants must submit a Self-Employed Declaration provided by MOHCD in addition to the income documentation required for all applicants. The Self-Employed Declaration must be submitted along with a Profit and Loss ("P&L") statement from any period of time not covered by the most recently filed federal income tax returns. The P&L statement must be formatted and contain the information set forth in Internal Revenue Service ("IRS") form 1040, Schedule C, and must be dated within 60 days of the application date. Negative

business losses are not counted and will not be deducted from income. MOHCD can provide a template P&L as needed.

A self-employed applicant receiving income other than from a sole proprietorship is required to provide copies of the three (3) most recent years of business federal income tax returns.

Positive business cash flow will be added to the applicant's income for qualification.

All income from self-employment at any point over the 12-month period prior to application will be considered, even if an applicant has subsequently sold or closed a business.

g) Income from Capital Gains, Dividends and Interests

MOHCD will apply the income calculation standards to the income from capital gains, dividends, and interest and add it to the Household's total annual income. Negative losses are not counted and will not be deducted from income.

h) Other Income

Any source of regular income, whether in cash or recurring deposits to a bank account over the 12-month period prior to application, will be treated as income, and may be annualized.

In the case of an applicant who is paid in cash for employment, MOHCD will consider the applicant to be self-employed. Please see *Self-employed or Income from Business* (clause f) above) for additional guidelines.

i) Unemployed Applicants

Unemployed applicants who are receiving no income at all will submit an Unemployed Declaration as provided by MOHCD in place of income statements as well as a State of California Employment Development Department Authorization for Release of Records or the equivalent form from another state. Applicants receiving unemployment benefits do not need to complete the Unemployed Declaration as unemployment benefits are considered income.

j) Income from Commercial Property or Land Owned

The net annual income from any commercial property or land owned by any applicant will be counted toward the annual Household income.

k) Public Assistance Income

When qualifying for a HELP loan, public assistance income will be counted toward the Household's total annual income. MOHCD will require documentation to show the Household's receipt of public assistance income with letters or exhibits from the paying agency that state the amount, frequency and duration of the benefit payments. Public assistance income includes, but is not limited to, Section 8 vouchers and similar local, state, or federal assistance programs.

l) Verification of Employment

At MOHCD's discretion, an official verification of employment on a form approved by MOHCD that is signed by both the applicant and the applicant's employer may be used as documentation of an applicant's income.

m) Employment Offers or Contracts

If the applicant is scheduled to begin employment, MOHCD may use the applicant's offer letter or contract as documentation for income qualification. However, the applicant must begin employment no later than 30 days of program qualification. If the start date specified on the applicant's offer or contract occurs outside of the 30-day window, the application may be disqualified for insufficient income documentation.

n) *Wage Reductions*

Applicants whose income from employment has declined over the 12-month period prior to application must provide documentation that verifies that the applicant did not quit a job or choose to reduce hours in order to qualify.

The following are exempt from the voluntary quit provisions:

- Reducing hours in one job while working more hours in another job;
- Quitting a job and subsequently beginning a new job with similar or better rate of pay.

o) *Discontinuance of Non-Employment Income*

Applicants whose income from non-employment sources (such as trust income, annuity income, capital gains, dividends, and interest, etc.) has declined or discontinued over the 12-month period prior to application must provide sufficient documentation that verifies the discontinuance of the income and demonstrates that the income is unlikely to re-occur for the foreseeable future.

p) *Non-Taxable Income Adjustments*

MOHCD may give special consideration to regular sources of income that may be nontaxable, such as child support payments, Social Security benefits, workers' compensation benefits, certain types of public assistance payments.

MOHCD must verify that the particular source of income is nontaxable. Documentation that can be used for this verification includes tax returns, award letters, policy agreements, account statements, or any other documents that address the nontaxable status of the income.

If the income is verified to be nontaxable, and the income and its tax-exempt status are likely to continue, MOHCD may add an amount equivalent to 25% of the nontaxable income to the borrower's income for qualifying purpose.

q) *Student Income*

If a full-time student is a dependent, only \$480 of the full-time student's income will be counted toward total Household income eligibility if all of the following criteria are met:

- Student cannot be head of household, co-head, or spouse of household;
- The student's full-time status must be 3rd party verified by their school/college; and
- The student wages must also be 3rd party verified by their employer;
- Student must be claimed as a dependent, or on the student's tax filings the student must show that the student is a dependent.

B. Calculating Household Income

The following are the two methods adopted by MOHCD to calculate each Household's income for program qualification. 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

Income qualification 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 prior years, MOHCD may require additional documentation to analyze the income change and may average the income reflected on the immediate past 2 years of tax returns.

1. Method #1: Calculating Current Total Annual Income

This section describes the procedures and requirements for determining a Household's current total gross annual income based on different sources of income including income calculated from assets.

a) *Income from Paystubs*

To calculate income from paystubs, MOHCD will use one of the following two methods as appropriate and use the greater of the two to determine the Household's current annual income.

Year-to-Date Method

From the most current paystub, divide the year-to-date Gross Income by the current number of pay periods to get the average Gross Income per pay period. Then multiply the average pay period Gross Income by the total number of pay periods in one year.

In cases where an employer-paid health insurance costs are included within the Gross Income on a paystub, the employer-paid insurance costs may be excluded from total income.

Example: Calculating Income with Paystubs Using Year-To-Date Method:

YTD Gross Income as stated on the most recent paystub = \$20,000

Current number of pay periods on most recent paystub = Pay period #10 (aka the 10th paycheck of the year)

Average Gross Income per pay period = \$2,000 (\$20,000 divided by 10)

Total number of pay periods in one year = 24

Annualized Gross Income = \$48,000 (\$2,000 x 24)

Straight Pay Method:

From the most current paystub, calculate the income based upon the rate of pay and frequency of pay indicated on paystubs as shown on the table below.

Frequency of Pay	Determining Annual Income
Annually –paid one time per year	Annual gross income
Monthly –paid one time per month	Monthly gross income x 12
Semi-Monthly –paid two times per month (receives 24 pay periods a year)	Semi-Monthly gross income x 24
Biweekly –paid every two weeks (receives 26 pay periods a year)	Biweekly gross income x 26
Weekly –paid every week	Weekly gross income x 52
Hourly –paid based on an hourly wage (the number of hours paid per week can vary)	Hourly gross income x average # of hours worked per week x 52

Example: Calculating Income with Paystubs Using Straight Pay Method:

Hourly rate of pay as stated on the most recent paystub = \$22

Total number of hours per pay period = 87.5

Total number of pay periods in one year = 24

Annual Gross Income = \$46,200 (\$22 x 87.5 x 24)

In the above examples, the income calculated from year-to-date method is greater than the straight pay method, and therefore will be used to determine the applicant Household's income eligibility.

b) Income from a Sole Proprietorship (for Self-employed)

MOHCD will use a P&L statement for a self-employed applicant to determine an applicant's business income for the current year.

MOHCD will use the following steps to calculate an applicant's Income from a P&L statement:

Step 1: Use the YTD net profit shown on the P&L statement, adding back any of the allowable adjustments used in analyzing the tax returns for the business, such as non-recurring income and expenses, depreciation, depletion, meals and entertainment, and amortization (the result of step 1 is the YTD adjusted Gross Income).

Step 2: Divide the adjusted Income by the number of months on the P&L statement to get the average monthly income. Multiply this number by 12 to annualize.

Example: Calculating Income with P&L Statement:

YTD net profit as stated on P&L statement = \$20,000
Allowable adjustments = \$10,000
YTD adjusted Gross Income = \$30,000 (\$20,000 + \$10,000)
Number of months = 10
Average monthly income = \$3,000 (\$30,000 divided by 10)
Annualized income = \$36,000 (\$3,000 x 12)

c) Income from Non-Employment

Non-employment income, such as trust income, pension and retirement income, dividends/interest, etc., is calculated from the most current monthly or quarterly official statement of such income. If no official statement or proof of current income documentation is available for the current year, MOHCD will use the immediate past year's income to project current year income. Generally, the last year income documentation for non-employment income should include annual statements or IRS 1099 forms.

Example: Calculating Non-Employment Income with a Monthly Statement:

Monthly income as stated on the most recent statement = \$500
Total number of pay periods in one year = 12
Annual income = \$6,000 (\$500 x 12)

d) Income Calculated from Assets – Asset Test

MOHCD adjusts actual Household income based on the level of savings, investments and other assets.

Asset Test

The first \$5,000 will be excluded from the asset test. Any liquid assets in excess of \$5,000 will be imputed at two percent (2%) and added to the total Household income.

Total Household assets = \$40,000

Combined Household Gross Annual Income = \$50,000

First \$5,000 of assets is excluded: $\$40,000 - \$5,000 = \$35,000$ remaining
2% of remaining \$35,000 is added to income: $\$35,000 \times 2\% = \700
Total amount added to income = \$700
Household Income + 2% imputed assets = $\$50,000 + \$700 = \$50,700$
Final HH Income = \$50,700

e) Income from All Sources

Once all sources of income from each adult Household member are verified and calculated, MOHCD will calculate the current total Household income.

For Example: Adding all income to arrive at the current total income:

A Household of 4 applying for a HELP loan receives a salary income of \$48,000 [paystub], self-employed income of \$36,000 [P&L statement], non-employment income of \$6,000 [official statement], and income from assets of \$700.
Method #1 Result: The Household's current total income = \$90,700 ($\$48,000 + \$36,000 + \$6,000 + \700).

2. Method #2: Calculating Previous Year's Income

This section describes an alternate procedure for determining a Household's total annual income earned in the last tax year.

Step 1: Use the total income from the immediate past year's federal income tax return (line 22 of IRS form 1040, or line 4 of IRS form 1040EZ, or line 15 of IRS form 1040A);

Step 2: Add back any losses set forth on the immediate past year's federal income tax return. If there are no losses, skip this step.

Step 3: Add back any of the allowable adjustments for a business or self-employment, such as non-recurring income and expenses, depreciation, depletion, meals and entertainment, and amortization. If there is no self-employment income for a sole proprietorship reported on line 12 of IRS form 1040, skip this step.

Example: Calculating Last Year's Total Annual Income:

Total Income (line 22 of IRS Form 1040): \$80,000
Capital loss (line 13 of IRS form 1040): -\$5,000
Business income Schedule C (line 12 of IRS form 1040): \$30,000
Depreciation on Schedule C: \$3,000
Method #2 Result: The Household's last year's total income: \$88,000 ($\$80,000 + \$5,000 + \$3,000$)

3. Income Increase Tolerance and Recalculation Criteria

Any change in Household income during application review must be reported to MOHCD. Non-disclosure of any material fact or misrepresentation of information will result in disqualification. If an applicant Household's income has been determined and verified by MOHCD, the verified income calculation is valid for a maximum of 6 months. However, during the 6-month period, income will be recalculated if there is an increase in Household income of more than five percent (5%).

C. Determining Assets

1. Liquid Assets

When calculating a Household's assets, all Household liquid assets are to be considered. Household Liquid assets include, but are not limited to, the following: savings accounts, checking accounts, Certificates of Deposit, the total balance of any joint accounts, money market or mutual fund accounts, trust accounts (only the amount accessible with or without penalty), stocks or bonds, gifts, cash on hand, amount used or borrowed from a life insurance policy, IRA or retirement accounts, and other investments held by any member of an applicant's Household. Custodial accounts owned by a guardian for minors will also be included as Household liquid assets.

Assets in business accounts may be considered liquid assets if one of the following criteria is met:

- Assets in business accounts are used as financial reserves; or
- The applicant is 100% owner of the business, such as a sole proprietor; or
- Assets in business accounts are comingled with personal accounts.

MOHCD may require additional documentation regarding business accounts to determine an applicant's assets.

The following assets will be excluded from the calculation of liquid assets: the cash surrender value of a life insurance policy, the value of an IRA account, the value of retirement accounts (including but not limited to 401K and 403B accounts), or the value of a 529 college savings may be excluded from an applicant's liquid assets.

2. Annuities

In the case of annuities, if an applicant has begun receiving annuity payments, then these payments are counted as income. If the applicant has the option of withdrawing the balance in an annuity, either with or without penalty, the annuity will be treated like any other liquid asset account. To account for income taxes and any early withdrawal penalties, sixty percent (60%) of the full value of the annuity will be counted as the cash value of the annuity and applied toward the liquid asset income calculation.

3. Lump Sum Receipts

Lump sum payments will be counted toward assets. Example of lump sum payments include: inheritances, capital gains, lottery winnings paid in one payment, cash from the sale of assets; insurance settlements; and any other amounts that are received in one-time lump sum payments.

Appendix B
HELP LOAN APPLICATION

Appendix C

HELP OWNER OCCUPANCY COMPLIANCE FORM