

# CITY AND COUNTY OF SAN FRANCISCO

## MAYOR'S OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT



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**San Francisco Teacher Next Door Loan Program (TND)**

**September 2018**

# IMPORTANT NOTE TO THE READER

The purpose of this Teacher Next Door (**TND**) Loan Program Manual is to explain the Mayor's Office of Housing and Community Development loan terms and regulations. These terms and regulations are being provided to you prior to the closing of your loan and acquisition of a property funded by the City and County of San Francisco. You must attest to your full understanding and agreement to all program terms and conditions by signing below prior to close of escrow.

I/We the undersigned hereby acknowledge and accept the loan terms as described in this Teacher Next Door (TND) Loan Program Manual, as more particularly described in the Mayor's Office of Housing and Community Development's City Note and Deed of Trust.

Property Address: \_\_\_\_\_  
\_\_\_\_\_

Buyer: \_\_\_\_\_  
(Name of buyer) Date

Buyer: \_\_\_\_\_  
(Name of buyer) Date

# San Francisco Teacher Next Door Loan Program

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**CITY AND COUNTY OF SAN FRANCISCO  
MAYOR'S OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT  
TEACHER NEXT DOOR LOAN PROGRAM (TND)**

**SECTION 1 - INTRODUCTION TO TND**

**1.1 Program Summary**

The Mayor's Office of Housing and Community Development (**MOHCD**) administers the Teacher Next Door (**TND**) Program to assist educators currently employed with the San Francisco Unified School District (SFUSD) with the purchase of their first home in San Francisco.

This manual describes the program guidelines and processing procedures for the TND. It also establishes the roles and responsibilities of the MOHCD, the Borrowers and the first mortgage lenders. Finally, it describes the qualifications and requirements of prospective first-time homebuyers. MOHCD shall review and update these guidelines from time to time to reflect changes in the market and better meet the community's needs. Material changes to the Program will be emailed to Lenders and posted on MOHCD's website at [www.sfmohcd.com](http://www.sfmohcd.com).

**1.2 Definitions**

**Area Median Income:** The median income for the San Francisco Metropolitan Statistical Bay Area as defined by HUD, and adjusted for household size. The amounts are adjusted by HUD on an annual basis.

**Back-end ratio:** The ratio between monthly household income and monthly housing costs plus all recurring debt payments, such as installment payments, credit card payments, lease payments, child support and other loan payments.

**Below Market Rate Housing Units (BMR):** are properties administered by MOHCD, priced to be affordable to program and income eligible first-time homebuyers. The BMRs are subject to occupancy and resale restrictions. TND loan can be used in the purchase of a BMR unit.

**Borrower:** The applicant and all persons 18 years and older who will reside in the property.

**Commitment:** A written commitment by MOHCD to the Lender signifying that the Lender's Loan Packet has been approved and the Borrower meets the eligibility criteria associated with the applicable Program.

**Condominium:** As defined in Planning Code Section 401.

**DAHLIA:** The Database of Affordable Housing Listings, Information and Applications.

**Dependents:** The household members who reside in the property and who are listed as dependents in the Borrowers' Federal Income Tax returns.

**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.

**Domestic Partner:** As defined in Family Code Section 297-297.5.

**Eligible Household:** To be considered a member of a household, a person must either be (1) on the title and the loan documents for the unit or (2) claimed as a dependent on the two most recent tax returns of a household member who will appear on the title and loan for the property. A household is defined in terms of financial relationships and can include any owner partnerships as long as their combined gross, annual income meets the eligibility guidelines. All household members must be first time homebuyers.

**FICO:** Fair Isaac Corporation. The best-known and most widely used credit score model in the United States.

**First-time homebuyer:** An individual is to be considered a first-time home buyer who (1) is purchasing the residential property; (2) will reside in the residential property as a principal residence; and (3) had no ownership interest (sole or joint) in a residential unit in San Francisco during the three-year period preceding the date of the TND application.

**Front-end Ratio:** The ratio between monthly household income and monthly housing costs, including first mortgage principal, interest, taxes, insurance and homeowner's association dues (HOA).

**Gift Fund:** A borrower may use funds received as a personal gift from an acceptable donor. An acceptable donor includes a relative, defined as any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship who is not part of the household. Gift funds are not allowed from a fiancé or fiancée who is not part of the household.

**Gross Income:** The anticipated income of a borrower for the twelve-month period following the date of determination of Household Income, as determined by MOHCD pursuant to Section 2.1C of this TND Program Manual.

**Home:** Any residential property which the borrower or any of the borrower's household has ever owned and designated as their Principal Residence.

**Household Income:** The combined Gross Income for the Borrower(s), and any other person 18 years of age or older who is expected to live in the residence, as determined by MOHCD pursuant to Section 2.1C of this TND Program Manual.

**HUD:** The U.S. Department of Housing and Urban Development.

**Liquid Assets:** Liquid Assets are any funds which are available to liquidate, including but not limited to savings, checking accounts, Certificates of Deposit, stocks, gifts, cash on hand, and other investments held by any occupant of the Borrower's household including minors.

**Live-work Units:** Those units designated by ordinance and zoning to qualify as legal living space within a commercially or industrially zoned building. The Live/Work unit definition does not require the property to be used specifically as commercial or dwelling. The real estate industry term "loft" only refers to the structural style. The property must also meet the criteria of ordinance and zoning parameters in order to be considered "Live/Work".

**Loan-to-value-ratio:** The ratio between the amount of all indebtedness likened or to be a lien against a property to the appraised value of the property securing the liens.

**Mayor's Office of Housing and Community Development (MOHCD):** The office designated by the Mayor to administer the program guidelines and perform required oversight and compliance monitoring of the Regulations established by the Teacher Next Door Program ("**Program**").

**Monitoring:** Activities of the Mayor's Office of Housing and Community Development, which will ensure compliance with the requirement of owner occupancy. Borrowers are required to submit certain documentation on a regular basis to MOHCD to substantiate their continuing compliance with the Program requirements.

**Participating Lender:** Lending institutions in good standing that have demonstrated their ability to provide loan origination, funding, services and perform other duties within applicable laws and the regulations and have agreed to participation with the TND program in writing.

**Primary Financing:** The first mortgage made by a Participating Lender for the purchase of a Principle Residence, which shall be the maximum loan affordable to an eligible Borrower.

**Principal Residence:** (1) "Single-Family House", (2) "Condominium" or (3) "Townhouse/Town Home, (4) Loft or (5) Live Work Unit." It does not include timeshares, recreational vehicles, campers, or similar vehicles. The Borrower must occupy the Principal Residence at least 10 months out of every calendar year for the entire term of the loan.

**Purchase Price:** The cost of acquiring a residence, excluding usual and reasonable settlement or financing costs, and excluding the value of services performed by Borrower in completing the acquisition of the residence.

**Regulations:** The Regulations for TND as adopted by the Board of Supervisors of the City and County of San Francisco and as amended from time to time.

**Rental Units:** Any dwelling unit in which the Borrower / applicant maintains an ownership interest and is used, or can potentially be used, as an investment from which they derive rental income from tenants.

**SFMSA:** San Francisco Metropolitan Statistical Area.

**SFUSD:** San Francisco Unified School District.

**SFUSD Educators:** All United Educators of San Francisco (UESF) members, including teachers, paraprofessionals, and other certificated staff (e.g., counselors, deans, nurses, speech pathologists, psychologists, behavioral analysts, social workers, Special Education (SPED) Content Specialists and librarians), and also including those who work in the SFUSD Early Education department.

**Single Unit Residence:** A single-family one-unit residence.

**Spouse:** A partner in a marriage.

**Total Transaction Costs:** The cost of the purchase of a home, including the sales price, closing costs and transactional fees.

**Townhouse (Town Home):** A single-family dwelling unit constructed in a group of three or more attached units in which each unit extends from foundation to roof and with a yard or public way on at least two sides.

### 1.3 Eligible Use of Funds

- A. TND Loans will be made from the available funding sources for the purpose of providing assistance to educators employed with the San Francisco Unified School District (SFUSD) with the purchase of their first home in San Francisco.
- B. TND funds are limited to providing loans to eligible First Time Homebuyer households whose Household Income of all members at the age of 18 and older do not exceed 200% of the Area Median Income (AMI) for the SFMSA, as determined in accordance with Section 2.1C below.
- C. TND funds must be used towards the purchase of a qualified housing unit as either down payment or closing costs. Cash disbursed to the Borrower cannot exceed \$250 at close of escrow. Any excess cash must first be applied towards the reduction of TND loan amount.
- D. TND can be used to purchase a BMR or a market rate unit in conjunction with any other subordinate financing (such as DALP) as long as the borrower meets all used program qualifications.

## SECTION 2 - PROGRAM REQUIREMENTS

### 2.1 Borrower Eligibility Requirements

In order to apply for a TND loan, Borrower must meet the following requirements:

#### A. TND Borrowers

TND Borrowers must be educators currently employed with the San Francisco Unified School District (SFUSD). SFUSD Educators are all United Educators of San Francisco (UESF) members, including teachers, paraprofessionals, and other certificated staff (e.g., counselors, deans, nurses, speech pathologists, psychologists, behavioral analysts, social workers, Special Education (SPED) Content Specialists and librarians), and also including those who work in the SFUSD Early Education department. At the time of application, the Borrower must provide a written verification of employment from the SFUSD.

#### B. First Time Homebuyer Requirements

No member of the applicant household may have owned any interest in a residential unit in San Francisco during the three-year period preceding the date of the TND application. The period shall be counted backwards from the TND application submittal date. An applicant shall be deemed to have owned an interest in a residential unit in San Francisco regardless of whether or not that interest results in a financial gain, or if the applicant has ever used the property in San Francisco as a primary residence. Notwithstanding the foregoing, the following interests in the properties in San Francisco shall not, by themselves, disqualify an applicant from being considered a first time homebuyer: (1) ownership of timeshares; (2) loan cosigners from previous real estate transactions; (3) appearing on title solely in the capacity as a trustee for a trust, where the trustor is living at the time and in the residence; (4) being a named beneficiary of a trust that includes a housing unit amongst the trust assets, but only if the trustor is living at the time and in the residence; and (5) ownership of shares in a limited equity co-op.

MOHCD may verify first-time homebuyer status by: (a) reviewing the three most recent years of federal tax returns for each applicant; (b) relying on a signed statement by an applicant stating his or her homeownership status; (c) a title search; or (d) any other means reasonable to determine First-time Homebuyer status.

In addition to the above, all applicants must also complete and submit a First Time Homebuyer Affidavit (“**FTH Affidavit**”).

#### C. Income Requirements

- 1. Maximum Income Limits:** Borrower’s Household Income cannot exceed 200% of the Area Median Income (AMI) for the SFMSA as published by MOHCD. The amounts are adjusted on an annual basis. As of April 1, 2018, the income limits are as follows:

Persons per household	One	Two	Three	Four	Five
200% AMI	\$165,800	\$189,400	\$213,100	\$236,800	\$255,700



- 2. Determining Baseline Household Income:** Household Income maximums are based on “gross” income derived from all sources as detailed in Internal Revenue Code (26 USC Section 61), whether or not exempt from federal income tax. Such income includes, but is not limited to, the following:
- a. The full amount (before any payroll deductions) of all wages and salaries, overtime pay, commissions, fees, tips, bonuses, and other compensating for personal services
  - b. The full, gross amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, 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
  - c. Payments in lieu of earnings, such as unemployment and disability compensation, worker’s compensation, and severance pay
  - d. Welfare assistance (excluding food stamps)
  - e. Alimony/maintenance and child support payments
  - f. All regular pay, special pay, and allowances of a member of the Armed Forces
  - g. The income, salaries, and other amounts derived from operation of a business or profession
  - h. The income from an interest in an estate or trust
  - i. Interest; dividends; Capital Gains; Rents, Royalties
  - j. Lottery/gambling winnings paid in periodic or lump sum payments
  - k. Allowances for housing, auto, food, etc.
  - l. Recurring contributions or gifts regularly received from organization or from persons not residing in the dwelling

The following sources of income shall be excluded from the total household income:

- a. Income from the employment of any Household members under the age of 18 unless such Household member is a borrower on the loan
  - b. Payments received from the care of foster children or adults, or adoption assistance
  - c. Lump sum additions to family assets (e.g., inheritances, capital gains, insurance policy, death benefit payment, stock options payout)
  - d. Medical expense reimbursement received specifically for the medical expense of a household member
  - e. Income of a live-in aide
  - f. All forms of student financial assistance paid directly to a student, educational institution, or a veteran
- 3. Income Calculations:** MOHCD projects future income based on the Gross Income set forth on each applicant’s income documentation for each source of income. MOHCD must review income documentation for all Household members 18 years and older, regardless of dependency status. Earned income of the employment of any Household members under the age of 18 is not counted. However, unearned income (e.g., child support, social security, and other benefits paid on behalf of a minor) is included.

### **Employment Income**

Annual employment income must be determined for each job currently held. The following three methods have been adapted by MOHCD for calculating household income for qualification purposes under the TND. All three methods will be applied to each household, and MOHCD will use the methodology that yields the highest annual household income.

**Method #1: Income from Paystubs**

Use the most current paystub, divide the year-to-date (YTD) gross income by the current pay period number to get the pay period average. Then multiply the pay period average by the total number of pay periods the applicant receives in one year.

*Example of Calculating Income with Paystubs:*

YTD income as stated on the most recent paystub for the calendar year = \$20,000

Current pay period number on most recent pay stub = 10

Estimated pay period amount = \$2,000 (\$20,000 divided by 10)

Total number of pay periods in one year for the applicant = 24

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

**Method #2: Year-to-date Income and Last Year's Income**

Use the most current paystub (or the last paystub received if the applicant currently receives no income) to determine the applicant's year-to-date gross earnings. Add the year-to-date earnings to the household's gross income from the most recent year's income tax return. Divide this number by 12 (to account for last year's earnings) plus the number of months the applicant's year-to-date income encompasses. This is the average monthly income. Multiply this number by 12 to annualize.

*Example of Calculating Income using YTD plus Last's Year's Income:*

YTD income as stated on the most recent paystub for the calendar year = \$20,000

Gross income from last year's income tax return: \$50,000

Number of months applicant has worked this year: 6

$\$50,000 + \$20,000 = \$70,000$

$6 \text{ months} + 12 \text{ months} = 18 \text{ months}$

$\$70,000 / 18 = \$3,888.89$  (average monthly income)

$\$3,888.89 \times 12 = \$46,666.67$  (annualized income)

**Method #3: Two-Year Average**

Add the household's gross income from the two most recent years' income tax returns. Divide this number by 2 to get the two-year average.

*Example of Calculating Income using the Two-Year Average:*

Gross income from last year's income tax return: \$50,000

Gross income from the previous year's income tax return: \$55,000

$\$50,000 + \$55,000 = \$105,000$

$\$105,000 / 2 = \$52,500$  (average annual income)

In the above Method #1 and Method #2, in cases where employer paid health insurance costs are included within the gross income on an applicant's paystubs, this income may be excluded from the gross income calculation.

**Overtime, Tips and Bonuses**

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

**Seasonal Workers**

MOHCD will not annualize current income for seasonal workers who provide a Verification of Employment from their employer(s) verifying that the work does not occur year-round. Use the calculation guidelines for employment income to determine annual seasonal income,

while discounting the amount for off season time. Include any unemployment compensation the borrower has received or may receive during the off season.

### **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.

### **Wage Reductions**

Applicants whose income from employment has declined in the past 6 months must provide evidence verifying that the change was not voluntary – for example that the applicant did not quit a job or choose to reduce hours.

### **Income from Government Income**

For applicants receiving government income of any source, the income is derived by multiplying a regular monthly statement by 12 months or by referring to an annual award letter.

### **Self-employed Income**

All self-employed applicants must submit a notarized Self-Employed affidavit provided by MOHCD. Self-employed borrower's employment and income will be verified by obtaining from the applicant: (a) copies of his or her federal income tax returns (both individual returns and in some cases, business returns) that were filed with the IRS for the past three years with all applicable schedules attached, and (b) YTD profit & loss statement; and (c) copies of all invoices and payments made to the borrower as a part of self-employment in the current calendar year (if applicable).

Self-employment income calculations will be based on the adjusted income from the two most recent years and YTD Profit & Loss statement. The adjusted income shall include net income from tax returns with any depreciation or amortization added back. If the resulting adjusted income is negative, count the income as \$0. Negative cash flow from a business may not be used to offset income generated from other sources when determining compliance with income limits.

MOHCD will apply the following three income methods to calculate self-employment income, and use the calculation that yields the highest annual income to determine eligibility.

#### **Method #1: YTD Profit & Loss Statement**

Divide the year-to-date (YTD) adjusted income by the number of months on YTD Profit & Loss statement to get the average monthly income. Multiply this number by 12 to annualize.

*Example of Calculating Income with Profit & Loss statement:*

YTD adjusted income as stated on Profit & Loss statement = \$20,000

Number of months = 4

Average monthly income = \$5,000 (\$20,000 divided by 4)

Annualized pay = \$60,000 (\$5,000 x 12)

If a business started in the same year as the year of qualifying, the income will be calculated using this method. In this case, the borrower must supply copies of all invoices and payments made to the borrower in support of the Profit & Loss statement submitted.

### **Method #2: YTD Profit & Loss Statement and Last Year's Tax Return**

Use the adjusted YTD Profit & Loss statement to determine the Borrower's year-to-date earnings. Add the YTD earnings to the Borrower's adjusted income from the most recent year's income tax return. Divide this number by 12 (to account for last year's earnings) + the number of months the Borrower's YTD income encompasses. This is the average monthly income. Multiply this number by 12 to annualize.

#### *Example of Calculating Income using YTD Profit & Loss Statement and Last Year's Tax Return:*

YTD adjusted income as stated on Profit & Loss statement = \$20,000

Adjusted income from last year's income tax return = \$50,000

Number of months from the YTD Profit & Loss Statement = 4

$\$50,000 + \$20,000 = \$70,000$

4 months + 12 months = 16 months

$\$70,000/16 = \$4,375$  (average monthly income)

$\$4,375 \times 12 = \$52,500$  (annualized income)

If the Borrower is self-employed for less than two years but over one year, annual income will be calculated by either 1) annualizing YTD Profit & Loss statement and last year's tax return, or 2) annualizing YTD Profit & Loss statement. The larger value of the two calculations will be selected as annual self-employment income. In this example, the calculation from annualizing YTD Profit & Loss Statement (\$60,000) is higher, and will be selected as the Borrower's self-employment income.

### **Method #3: Two-Year Tax Returns**

Add the adjusted income from the two most recent years' income tax returns. Divide this number by 2 to get the two-year average.

#### *Example of Calculating Income using the Two-Year Average:*

Adjusted income from last year's income tax return: \$50,000

Adjusted income from the previous year's income tax return: \$45,000

$\$50,000 + \$45,000 = \$95,000$

$\$95,000/2 = \$47,500$  (average annual income)

If the Borrower is self-employed for over two years, MOHCD will apply the above three income methods to calculate self-employment income, and use the calculation that yields the highest annual income to determine eligibility. In this example, the calculation from annualizing YTD Profit & Loss Statement (\$60,000) is the highest, and will be selected as the Borrower's self-employment income.

### **Income from Capital Gain Dividends and Taxable Interest**

MOHCD will apply the above three income methods (if applicable) to calculate income from capital gain, dividends and taxable interest, and use the calculation that yields the highest annual income to determine eligibility.

### **Other Income**

Any source of regular income whether in cash or recurring deposits into a bank account prior to application may be treated as income.

In the case of an applicant who is paid in cash for employment, MOHCD will consider those applicants self-employed. Please review the requirements for self-employed income.

### **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 develop an "adjusted gross income" for the borrower by adding an amount equivalent to 25% of the nontaxable income to the borrower's income for qualifying purpose.

### **Unemployed Applicants**

Unemployed applicants who are receiving no income at all should submit an Unemployed Affidavit as provided by MOHCD in place of income statements. Applicants receiving unemployment benefits do not need to complete the Unemployed Affidavit as unemployment benefits are considered income. All unemployed applicants will be required to complete and sign Authorization for Release of Records from Employment Development Department ("**EDD Authorization for Release of Records**") during the TND Loan application processing for MOHCD to validate applicant's unemployment and income.

### **Verification of Employment**

An official Verification of Employment signed by an applicant's employer may be used as the final proof of an applicant's income, if needed.

### **Requirement of a Divorced Borrower**

The income of a Borrower's Spouse must be included in the Gross Annual Income for the household, unless a Borrower is legally divorced from his or her spouse. A Borrower must provide MOHCD with a copy of a court-ordered divorce decree in order to be considered "legally divorced". A petition for dissolution will not suffice.

## **D. Liquid Assets Requirements**

- 1. Liquid Assets Inclusions:** When calculating a Borrower's assets, all Liquid Assets are to be considered, including, but 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, in trust for accounts (amount accessible), 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 occupant of the Borrower's household including minors.
- 2. Liquid Assets Exclusions:** The cash surrender value of 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.
- 3. Pre-and Post-Purchase Assets:** There is no pre-purchase Liquid Assets requirement. Combined household Liquid Assets after purchase of the property must not exceed \$60,000. Borrower must apply any Liquid Assets in excess of \$60,000 toward the purchase of the property.

4. **Restrictions:** Evidence that Liquid Assets have been transferred to another individual or into an unavailable asset account, or have been spent (except on unexpected emergencies, such as funeral expenses, travel costs related to illness, repair of a vehicle, medical needs and housing needs) to avoid use in the purchase will result in denial of the Borrower's application.
5. **Deposits:** Deposits of \$500 or more into a depository account or newly opened account must be sourced. Re-occurring non-payroll deposits may indicate additional undisclosed sources of income that may be required to be documented to determine household income compliance.
6. **Withdraw Retirement Accounts:** Withdrawal of retirement accounts towards down payment and closing costs are generally allowed with proof of liquidation. However, the borrower shall consider all of his or her options before using retirement accounts, and consult with a tax advisor to fully understand the potential tax consequences of such withdrawal in addition to the applicable early withdrawal penalty.

## E. Eligible Household Member

### 1. Household Size Determination and Requirements

The size of the household is determined by counting together every person who intends to live in the property, regardless of age or dependency status.

All spouses or domestic partners must be included in the household and must appear on the application, title and loan for the property to be purchased with a TND loan.

All household members who are under 18 years of age must be the legal dependent of an adult household member, except in the case of emancipated minors, as claimed on the most recent federal Income tax return, or legal minor children of titleholders.

Elderly adult household members may be considered as dependent as long as they are listed as a dependent on the two most recent tax returns.

Pregnant applicants will be counted as one household member in income determinations unless the child is born prior to the TND loan closing.

Verified live-in assistants and foster children will not be counted in income determinations and may not appear on title and loan for the property.

Temporarily absent household members who plan to live in the property upon return must appear on the application for the property. Such household members include, but are not limited to, household members serving temporarily in the armed forces, or who are temporarily institutionalized.

Divorced or separated borrowers who have joint custody of their children should include the children in their household count if they have at least 50% custody of the children. Borrowers who do not have custody should not include the children in their household count.

### 2. Title and Loan Requirements: All adult Household members must appear as an owner or co-owner on the property title and must co-sign for any purchase loan for the property with the following exceptions:

- (1) Legal dependents of titleholders as claimed on the two most recent federal income tax return or legal minor children of titleholders. Spouses or Domestic Partners are not considered dependents; and

- (2) Household members younger than age 24 who are the child of a titleholder who will



reside in the housing unit as their primary residence, regardless of being named as a dependent on the federal tax form of a titleholder.

#### **F. Title Transfer Restrictions**

Title transfers are not permitted except under the following limited circumstances: (A) a transfer resulting from death of a borrower where the transfer is to a co-borrower; (B) a transfer where the spouse or domestic partner becomes a co-owner of the property; (C) a transfer into an inter vivos trust in which the borrower is the sole beneficiary and continues to occupy the property as a principal residence; or (D) a transfer resulting from a decree of dissolution of marriage or domestic partnership, legal separation agreement, or from a property settlement agreement incidental to such a decree in which one of the borrowers becomes the sole owner of the property; or (E) a transfer between co-borrowers.

For any of the above permissible transfers, the homeowner must submit a written request to MOHCD for approval. The homeowner must present supporting documents with their request, including but not limited to, a copy of final trust agreement (any proposed change or revision to a MOHCD-approved trust must be first submitted to MOHCD for approval), marriage certificate or state domestic partnership, death certificate, divorce decree or legal separation agreement issued by court. Upon approval, MOHCD may require the homeowner to execute an addendum to City documents related to the property by which the transferee(s) shall assume the same rights and responsibilities with respect to those documents as the transferor(s).

Tenants in common is not a permitted form of ownership. Unmarried persons or three or more persons must hold title as joint tenants. MOHCD reserves the right to identify additionally prohibited title vesting and transfers.

#### **G. First-Time Homebuyer Education Requirement**

Before applying for a TND, all adult applicants age 18 and older must complete Verification of Homebuyer Education requirements from a MOHCD-approved HUD Certified First-time Home Buyer Education Provider. Legal dependents and children of applicants under the age of 24 are exempt from this requirement. The Verification of Homebuyer Education Form dated within the last 12 months from the date of issuance must be included with the TND application package.

Workshops and counseling sessions are available in multiple languages. MOHCD encourages applicants to enroll in a homebuyer education course in their strongest language. A list of MOHCD approved providers is available on MOHCD's website at: <http://sfmohcd.org/approved-first-time-home-buyer-counseling-agencies>

#### **H. Owner-Occupancy Requirement**

All household members must occupy the purchased property as their Principal Residence within 60 days after the close of escrow. Thereafter, all household members must reside in the property as their principal residence a minimum of 10 out of 12 calendar months for the term of the loan or until the property is sold. Compliance monitoring will be performed and documented proof of occupancy required at intervals determined by MOHCD.

Borrowers are prohibited from renting or subleasing any part of the property without the prior written approval from MOHCD. No part of a property can be rented or subleased as a short-term rental or listed on short-term rental or vacation rental sites at any time.

#### **I. Immigration Status**

MOHCD does not require proof of citizenship or immigration status as a criteria for qualifying for a TND loan. However, all TND applicants must qualify for first mortgage financing from a Participating Lender and many lenders may be unable to approve applicants without proof of legal immigration status.

## **J. Non-Discrimination and Privacy Requirement**

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. Lenders shall be sensitive to the privacy interests of the borrowers, and should use the information received only for purposes of verifying the borrowers' eligibility for TND.

## **K. Conflict of Interest**

The purpose of the homeownership loans and housing programs administered by MOHCD is to assist low-income and middle-income households with reaching the goal of homeownership, and to increase housing opportunities in San Francisco. MOHCD employees are eligible to participate in these programs with the exception of those employees who directly implement or approve homeownership loans or assistance, including: the Director, Director of Homeownership & BMR Programs, Chief Financial Officer, and other program and fiscal managers and staff who qualify, review, approve or disburse MOHCD's homeownership and housing program loans. This policy also applies to immediate family members of said staff including spouse and children.

## **2.2 Property Eligibility Requirements**

### **A. Property Requirements**

All properties purchased with TND funds must be Single-Unit Residences located in the City and County of San Francisco. The residences may be a single-family house, Condominium, Townhouse/Town Home, Loft or Live Work Unit (as long as the property will be used as the owner's principal residence).

Housing types excluded from the Program are:

1. Manufactured housing (mobile homes)
2. Cooperatives
3. Rental homes or any home a portion of which is to be rented
4. Investment homes
5. Properties from which a trade or business is conducted without the prior written MOHCD's approval of the proposed business use.
6. Properties purchased through a non-arm's length transaction, with an identity of interest between the buyer and seller or other parties participating in the sales transaction unless authorized by MOHCD (Approval may be granted by MOHCD on a case-by-case basis, and in its sole discretion).

### **B. Purchase of Tenant-Occupied Property**

Under eviction protection covered by the SF Rent Ordinance, tenants may only be evicted by the landlord for one of the 16 just cause reasons under the Ordinance Section 37.9(a). TND borrower cannot purchase a housing unit in which any unlawful rental eviction has occurred.

### **C. Property Flipping**

TND cannot be used to purchase properties resold within 90 days and priced more than 20% above the initial purchase price.

### **D. Appraisal Report**

MOHCD requires a fair market appraisal to be completed to Uniform Standards of Professional Appraisal Practice standards by qualified appraisers holding a California Certified Appraisal License (issued by the Office of Real Estate Appraisers), preferably with a Member of the Appraisal Institute member designation (issued by the Appraisal Institute), and with experience



valuing similar properties in the Bay Area; a copy of the appraisal report must be attached to the TND Loan application. The appraisal report should be no more than 90 days old at the time of submission of the TND Loan application.

## **SECTION 3 - FINANCING REQUIREMENTS**

### **3.1 General First Loan Requirements**

Borrowers who apply for TND funding must be able to qualify for a first mortgage from a Participating Lender prior to submitting an application for a TND loan. Borrowers must have sufficient funds to meet the required down payment, and necessary reserves to meet the escrowed monthly mortgage payments. Unless pre-approved by MOHCD, the TND loan must be in junior lien position behind the first mortgage, BMR lien and/or DALP.

#### **A. Impounds**

The primary lender must collect and manage impound accounts for payment of property taxes, hazard insurance and monthly mortgage insurance premium (if applicable) for the term of the primary loan.

#### **B. First Mortgage Loan Term**

The first mortgage loan must be a 30-year fixed rate mortgage, the mortgage payment must be fully amortizing. Loan Types not allowed: reverse mortgage, stated income, ARM – adjustable rate mortgage, interest-only, negative amortizing, and balloon payments. MOHCD reserves the right to identify additionally prohibited loan programs and/or characteristics.

#### **C. FICO Score**

MOHCD does not establish a minimum FICO score for TND Borrowers. Lenders determine the minimum FICO score according to their own guidelines and loan products.

#### **D. Co-Signing**

Co-signing for a TND loan by a non-household member is not allowed.

#### **E. Loan Signing**

No power of attorney is allowed. All applicants must be physically present to sign loan documents.

#### **F. Closing Costs**

TND Funds may be used to pay for non-recurring closing costs up to 2% of the purchase price or appraised value, whichever is less.

Lenders are allowed to charge only customary and reasonable costs necessary to close the mortgage loan. Excessive origination points are not allowed. Discount points paid for a rate buy-down is not allowed unless the buy-down is for the purpose of loan qualification, such as enabling the borrower to meet the maximum debt-to-income ratio established for the first mortgage loan approval. In such case, the Lender is required to evidence the need by providing the underwriting documents, such as Underwriting Transmittal Summary (Form 1008), and DU/LP findings. However, in no event shall the amount of closing costs exceed 2% of the purchase price.

## G. Third Party Credits and Contributions

Credits and contributions from the third party, such as seller, realtor, lender, are allowed for non-recurring loan closing costs. All credits must be used in escrow, no more than \$250 cash may be paid back to borrowers at close of escrow. Any excess cash must first be applied towards the reduction of the TND loan. Credit or cash back towards pay-down of the first mortgage principal is not allowed. Borrower cash back for pay-down of other debts is also not acceptable.

## 3.2 TND Loan Requirements

### A. TND Loan Amount

The maximum TND loan amount is \$40,000 on a market rate unit, and \$20,000 on a BMR unit.

Each household is limited to one TND loan, regardless of the number of SFUSD Educators in that household.

### B. Layered Financing

The TND loan may be layered with other City programs, such as Downpayment Assistance Loan Program (DALP), City Second Loan Program (CSLP), and Below-Market Rate (BMR) Program. When the TND loan is layered with one of the above city programs, The TND loan will be inclusive of the total Combined Loan to Value (CLTV). The Borrower must meet all of the other eligibility requirements for those programs. In the case of any conflicting requirements, the more restrictive will apply.

### C. TND Loan Reservation

TND funds, as specified in the commitment letter issued to a borrower, will be placed on reserve for a period of no more than thirty (30) days from date of the commitment.

### D. TND Loan Term and Repayment

The term of the TND is 10 years. There is no interest, nor shared appreciation. The loan is due upon sale, rent or title transfer of the property, or upon borrower's unemployment with the SFUSD at any time during the entire loan term. Borrower must remain an educator with SFUSD during the entire loan term. If any defaults occurred within 5 years of the date the loan is issued, the loan must be paid off in full.

If at any time during the 10 year period, Borrower is no longer employed with SFUSD, but can document that termination of employment from the SFUSD was due to a) long-term disability, b) elimination of the borrower's position, or c) a reduction-in-workforce, and also document continuity of occupancy, Borrower may begin making monthly payments of principal balance per the charts below. In this case, the remaining principal balance shall be amortized over a maximum 5-year period until the balance of the loan is paid in full. The Charts below illustrates how monthly payments shall be structured for TND loan \$20,000 and \$40,000, respectively.

TND Loan amount \$20,000 (on a BMR unit)

Year 1	\$20,000	\$333.33	Year 6	\$16,000	\$266.66
Year 2	\$20,000	\$333.33	Year 7	\$12,000	\$200.00
Year 3	\$20,000	\$333.33	Year 8	\$ 8,000	\$133.33
Year 4	\$20,000	\$333.33	Year 9	\$ 4,000	\$66.66
Year 5	\$20,000	\$333.33	Year 10	\$ 2,000	\$33.33

TND Loan amount \$40,000 (on a market rate unit)

Year 1	\$40,000	\$666.67	Year 6	\$32,000	\$533.33
Year 2	\$40,000	\$666.67	Year 7	\$24,000	\$400.00
Year 3	\$40,000	\$666.67	Year 8	\$16,000	\$266.67
Year 4	\$40,000	\$666.67	Year 9	\$ 8,000	\$133.33
Year 5	\$40,000	\$666.67	Year 10	\$ 4,000	\$66.67

After the 5<sup>th</sup> year, the loan is forgiven at rate of 20% per year, and at the end of the 10<sup>th</sup> year, the loan is forgiven in its entirety. The following charts illustrates repayments of TND loans in the amount of \$20,000 and \$40,000.

If the property is sold, rented or title transferred, or if the borrower leaves the SFUSD for reasons other than listed above, the following is due back to the City in a lump sum amount:

TND Loan amount \$20,000

Year 1	\$20,000	Year 6	\$16,000
Year 2	\$20,000	Year 7	\$12,000
Year 3	\$20,000	Year 8	\$ 8,000
Year 4	\$20,000	Year 9	\$ 4,000
Year 5	\$20,000	Year 10	\$ 0

TND Loan amount \$40,000

Year 1	\$40,000	Year 6	\$32,000
Year 2	\$40,000	Year 7	\$24,000
Year 3	\$40,000	Year 8	\$16,000
Year 4	\$40,000	Year 9	\$ 8,000
Year 5	\$40,000	Year 10	\$ 0

**E. LTV and CLTV**

The minimum first mortgage Loan to Value (LTV) cannot be less than 50% of the purchase price or appraised value, whichever is less. The maximum Combined Loan to Value (CLTV) cannot exceed 97%, which includes the first mortgage, TND and any other borrowed subordinate financing.

**F. Front-End Ratio and Back-End Ratio**

Borrower's monthly housing debt, including mortgage principal, interest, property taxes, property insurance, and if applicable mortgage insurance and homeowner's association dues cannot be less than 33% (front-end-ratio) of the gross household income. The front end ratio shall not be more than 40%. The ratio of monthly housing costs, plus all other household monthly recurring debts (including credit cards, car payments, etc.) cannot exceed 43% (back-end-ratio) of the gross Household Income.

Some Borrowers may qualify for first-mortgage financing at higher front-end ratios than those cited above. Recognizing that the financial circumstances of each borrower are unique and that there may be other factors besides debt-to-income ratios that reflect the borrower's ability and willingness to repay mortgage loans, the MOHCD may consider higher front-end ratios if two or more of the following indicators are present:

1. Proven ability to devote a larger amount of income to housing expenses. The borrower 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;

2. At least twelve (12) months of housing expenses in reserves through non-liquid assets and retirement accounts;
3. FICO credit score greater than 700;
4. The proposed Housing expense will not increase more than five (5%) percent over previous housing payments.

Lenders and Borrowers seeking MOHCD approval of higher front-end ratios should submit a written request and a letter of explanation to MOHCD as part of the borrower's loan application. The decision to approve or deny higher ratios will be made in accordance with the above stated compensating factors; however, the maximum back end ratio may not exceed 43%.

#### **G. Debts Included in DTI Ratio**

Generally, all recurring debt payments, such as installment payments, revolving account payments, lease payments, child support and other loan payments shall be included into the Borrower's Debt-to-Income (DTI) ratio. Refer to Section 3.2F above for maximum debt-to-income ratio limits.

1. **Installment Payments:** Installment debts with a remaining term of 10 months or more shall be included to the total DTI ratio.
2. **Revolving Accounts:** Use greater of \$10 or 5% of the balance if no payment amount is listed on the credit report.
3. **Lease Payments:** Lease payments must always be included as a debt when determining the total DTI ratio.
4. **Child Support:** Include all child support (including alimony or separation maintenance) obligations with a remaining term of 10 months or more.
5. **Student Loans:** Student loans must be included in the Borrower's liabilities regardless of the payment type or status of payments. Regardless of payment status, MOHCD is to use either: (1) the greater of 1% of the outstanding balance on the loan, or the monthly payment reported on the Borrower's credit report; or (2) the actual documented payment, provided the payment will fully amortize the loan over its term.
6. **Loans Secured by Financial Assets:** When a borrower uses his or her financial assets – life insurance policies, 401(k) accounts, individual retirement accounts, etc. – as security for a loan, the Borrower has a contingent liability. MOHCD will include this contingent liability as part of the Borrower's recurring monthly debt obligations when determining the Borrower's total DTI ratio. A copy of applicable loan instrument that shows the debt payment shall be included when submitting a TND Loan application.
7. **Court-Ordered Assignment of Debt:** When a borrower has outstanding debt reflected on the credit report that was assigned to another party by a court order (such as under a divorce decree) and the creditor does not release the Borrower from liability, the borrower has a contingent liability. MOHCD will exclude this contingent liability as part of the Borrower's monthly debt obligation. A copy of divorce decree shall be provided in the TND Loan application in order to exclude it from the DTI ratio.

#### **H. Minimum Down Payment Requirements**

The borrower must contribute a minimum of five percent (5%) down payment. Of the total 5%, 2.5% must come from the Borrower's own funds from a verifiable source (held in a financial institution), and the remaining can come from gifts or grants. Borrower must have sufficient funds to meet the required down payment, closing costs and necessary reserve funds prior to submitting an application for a TND loan.

**I. Post Purchase Reserves**

Borrower must have at least three months' worth of housing payments (principal, interest, property taxes, hazard insurance and homeowner's association dues) in reserves after purchasing the home. This provides assurance that the mortgage can be paid even if the borrower is experiencing cash flow problems.

Acceptable Sources of Reserves include Liquid Assets described in Section 2.1D (1). In addition, funds from individual retirement accounts (IRA/SEP/Keogh accounts) and tax-favored retirement savings accounts (401(k) accounts) are also acceptable sources of funds for reserves. When funds from retirement accounts are used for reserves, liquidation of funds is not required. The borrower must provide a complete copy of the most current quarterly or three consecutive month retirement account statement(s) identifying the borrower's vested amount and the terms of the retirement plan that permits the borrower to make withdrawals. When a retirement account only allows withdrawals in connection with the borrower's employment termination, retirement, or death, these funds should not be considered.

To account for income taxes and any early withdrawal penalties, MOHCD will count only 60 percent of retirement account funds towards reserves.

**J. Allowable Age of Documents**

Information used to make the TND loan decision must be current. The table below shows the maximum age of documents allowable at the time of submission of the TND Loan application.

TND Documentation Age Requirements	
Purchase Contracts	15 business days remaining to close
Income & Assets	60 days old
Credit, Title & Appraisal Reports	90 days old
Homebuyer Education Certificates	12 months old

**K. Documentation and Security**

The following documents shall be executed by the Borrower to secure the loan after satisfaction of all requirements for funding:

**Loan Commitment Letter:** Ratified by Borrower, accepting the loan terms and conditions, expires in thirty (30) days from the date of the commitment. Borrower must schedule a pre-closing meeting at MOHCD. MOHCD staff will review this Manual and other applicable documents before the borrower sign the commitment letter and affidavit.

**Deed of Trust:** Executed at the close of the escrow by the Borrower, for the benefit of the City and County of San Francisco to secure the Promissory Note.

**Promissory Note:** Executed at the close of the escrow by the Borrower for the benefit of the City and County of San Francisco and secured by the Deed of Trust.

**L. Compliance with Federal, State and Local Laws and Ordinances**

Program funds shall be used in accordance with Federal, State and Local Laws, regulations and directives as they apply.

### **3.3 TND Loan Servicing**

#### **A. Prepayment Penalty**

There is no prepayment penalty associated with payment of these loans prior to the due date. However, prepayment must be in full; the loan cannot be partially repaid.

#### **B. Assumable/Transferable**

The MOHCD TND loans are not assumable or transferable. The loans must be paid in full upon sale, rent or title transfer of the property, or upon borrower's unemployment with the SFUSD at any time during the entire loan term.

#### **C. Payoff Requests**

Borrowers must submit a written request for payoff. If borrowers wish to have a third party submit a request for payoff on their behalf, they must submit a signed authorization allowing MOHCD to provide information to the third party. Please visit our website at [www.sfmohcd.org](http://www.sfmohcd.org) for the Loan Pay-off Checklist Packet.

#### **D. Refinance/Subordination**

The TND loan can be subordinated to the refinancing of the existing first mortgage for a lower interest rate and/or better loan term. Borrowers are allowed to take up to 3% of the new first mortgage amount as cash out to cover the customary closing costs of the refinance. Under no circumstances can the refinance amount be greater than the original loan amount.

The same individuals that were named as borrowers on the TND loan used for the initial purchase must also be named as borrowers on any refinance loan unless MOHCD has approved the addition of a borrower by marriage or domestic partnership or the removal of a borrower by death, divorce or dissolution of domestic partnership or similar change.

MOHCD will not review the household income for Program qualification upon refinancing. Borrowers must work with one of our approved lending officers to refinance their TND Loans. This applies to funding lenders as well when borrowers are working with a mortgage broker. Please visit our website at [www.sfmohcd.org](http://www.sfmohcd.org) for the Subordination Checklist.

#### **E. Home Equity Lines of Credit and Home Equity Loans**

MOHCD does not allow TND borrowers to open Home Equity Line of Credit and Home Equity Loans. Borrowers who use such programs are in violation of their Program restrictions and will not be allowed by MOHCD to refinance their TND loans. The TND loan program will be immediately due and payable if a Borrower is deemed out of compliance with this policy or any other applicable program policies.

## **SECTION 4 – GENERAL REQUIREMENTS AND COMPLIANCE**

### **4.1 Hazard Insurance**

For the life of the loan, each Borrower will be required to maintain hazard insurance, 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.

### **4.2 Title Insurance Policy**

The outstanding principal balance of the down payment assistance 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.

### 4.3 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. Lenders shall be sensitive to the privacy interests of the borrowers, and should use the information received only for purposes of verifying the borrowers' eligibility for a TND loan. It should be noted that all borrowers to down payment assistance loan program 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.

### 4.4 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.

## SECTION 5 – PROGRAM PROCEDURES FOR LENDERS

The Mayor's Office of Housing and Community Development will act as the Program Administrator. Eligible Borrowers may only apply for TND loans through Participating Lenders or lending officers. Participating Lenders may submit applications only after determining that the Borrower is eligible for a first mortgage and also eligible for the City's TND loan. Borrowers' applications must be complete with all required attachments, including a ratified purchase agreement for the purchase of a specific property. Submission of incomplete loan application package or submission of inaccurate information declared in lender forms will delay the processing, review, underwriting, approval and closing of the sale. If the City habitually receives incomplete or incorrect applications from a Particular Lender, MOHCD may discontinue the use of said lender for TND.

The program's processing procedures are designed to coincide with the standard loan processing and underwriting procedures that are in place at most mortgage lending institutions. Recognizing that there are procedural variations among the lenders, the procedures outlined herein may vary somewhat from lender to lender. However, the lender, the City and the borrower must complete all the steps of processing described in this manual.

**TND PARTICIPATING LENDERS** - All loan originating institutions or mortgage broker companies working with our programs and directly with applicants are required to submit a lender participation agreement signed by a signing authority and remit an annual lender fee. Each lending institution, not individual Mortgage Loan Originators (**MLO**), will pay the non-refundable participating fee; new lenders will pay an Initial fee, existing lenders will pay a reduced Lender Renewal fee. This fee covers trained MLOs that have a valid NMLS ID and are in good standing. MLOs who are listed on our approved lender list are also required to sign a loan originator participation agreement, attend training annually and earn a passing score on the MOHCD Housing programs quiz. MLOs must abide by the MOHCD program guidelines, and perform business in a professional and ethical manner at all times. MLOs may be removed from the participating lender list, regardless if their lending institution has paid the annual renewal fee. For more information and lender current fees, please visit- <http://sfmohcd.org>.



## **SECTION 6 – TND LOAN SUBMISSION**

This section describes Borrower's Responsibilities, Lender's Responsibilities and the City's responsibilities. The Lender is required to submit all required documents as a complete packet (see below for all required documents).

### **6.1 Borrower's Responsibilities**

Borrower's responsibilities include ALL of the following:

- Completes Verification of Homebuyer Education Requirements through one of MOHCD-approved housing counseling agencies.
- Enters into a purchase agreement with a seller.
- Applies to a Participating Lender for Primary Mortgage Loan.
- Provides a signed and dated Downpayment Assistance Loan Program Application (LOAN-1).
- Provides a signed and dated Homeownership Counseling Consent Form.
- Provides a signed and notarized copy of First Time Homebuyer Affidavit.
- Provides a signed and notarized copy of Income Tax Affidavit.
- Provides a signed and notarized copy of Occupancy Affidavit.
- Provides a signed and notarized copy of Self-employed Affidavit if applicable.
- Provides a signed and notarized copy of Unemployed Affidavit if applicable.
- Provides a signed and notarized copy of the General Release and Waiver of Liability.
- Provides a copy of Verification of Completion of Homebuyer Education dated within 12 months.
- Provides a copy of Borrower(s) state-issued photo Identification Card.
- Provides a written verification of employment (VOE).
- Provides income verification documentation as required by the guidelines to establish program eligibility.
- Self-employed borrower - provides a signed and notarized copy of Self-Employed Affidavit, and:
  - a) Copies of borrower's Federal Income Tax Returns (both individual returns and in some cases, business returns) filed with the IRS for the past three years with all applicable schedules attached;
  - b) YTD Profit & loss statement; and
  - c) Copies of all invoices and payments made to the borrower as a part of self-employment in the current calendar year (if applicable).
- Signs a copy of the City's loan Commitment Letter indicating acceptance within five (5) business days, upon approval of a TND loan.

### **6.2 Lender's Responsibilities**

Lender's responsibilities include ALL of the following:

- Lender will ensure that participating loan officers receive training from MOHCD on a regular basis, and keep current on the products available to first time, low-middle income homebuyers.
- Loan Officers will acquire a password from MOHCD after satisfying lender training to access the DAHLIA system.
- Lender receives an application from a borrower who has undergone counseling from a HomeownershipSF Counseling Agency.
- If a Lender receives an application from a borrower who does not possess a Verification of Homebuyer Education Completion, Lender will refer borrower to a HomeownershipSF counseling agency to complete the workshop requirement before submitting an application to the City.
- Lender will work with borrower and counseling agency to apply for all available subsidies and programs for which the borrower qualifies.
- Lender performs standard Lender underwriting process.
- Lender collects applicable borrower documents and uploads complete loan package application to DAHLIA database where MOHCD staff can intake for completeness. Incomplete applications will be deleted after 48 hours.
- Lender acknowledges ten (10) business day time restraint required by MOHCD upon receipt of a complete loan package to process, review, and underwrite a TND loan.
- Lender further acknowledges that MOHCD requires an additional four (4) business days to fund



all TND loans from the time of approving a final package of loan documents. The City and County of San Francisco cannot *rush* funding to meet rate expiration and other deadlines. Lender arrangements must be made to allow for this funding period. **Loan packages received by MOHCD containing Purchase Contracts with less than 15 business days remaining to close will be returned to the Lender for contract extension.**

**Lender must submit a complete TND loan packet to the City electronically via DAHLIA as follows:**

- Downpayment Assistance Loan Program Transmittal Form
- No admin fee for TND only. If combined with MCC and/or DALP, a non-refundable cashier's check payable to the City and County of San Francisco. See website for current fees. (Please deliver the check along with Transmittal Form to MOHCD)
- Downpayment Assistance Loan Program Application Form (LOAN-1)
- Lender's Certification of Borrower Eligibility (LOAN-2)
- First Time Homebuyer Affidavit
- Homeownership Counseling Consent Form
- Income Tax Affidavit
- Occupancy Affidavit
- Self-Employed Affidavit (if applicable)
- Unemployed Affidavit (if applicable)
- General Release and Waiver of Liability
- Borrower(s) three most current & consecutive pay stubs
- Verification of Employment (VOE)
- Borrower(s) Federal Income Tax Returns for the past three years with all applicable schedules (signed and dated) and W-2s
- Profit and Loss Statement (signed & dated, if applicable)
- Signed IRS Form 4506-T
- Borrower(s) last three years of transcripts of tax returns
- Borrower(s) three most current & consecutive months of Bank Statements
- Gift Letter and evidence of donor availability of funds (if applicable)
- Copy of borrower's credit report
- Verification of Homebuyer Education (within last 12 months)
- Ratified Purchase Agreement (including all counter offers and addendums)
- Preliminary Title Report
- Fair Market Appraisal
- Wire Instructions
- Receipt for Escrow Deposit
- First Residential Mortgage Loan Application- Form 1003 (signed and dated)
- Underwriting Transmittal Summary- Form 1008
- First Loan Approval Commitment
- Loan Estimate or Closing Disclosure
- Estimated Master Settlement Statement

### **6.3 City Responsibilities**

Upon receipt of a complete TND loan packet, the City's responsibilities include ALL of the following:

- Reviews loan package via DAHLIA to ensure completeness of forms and substantiating documentation.
- Underwrites TND loans to determine Program eligibility.
- Issues (i) a Commitment Letter that expires after thirty (30) days ("Commitment Expiration Date") if the loan is approved by MOHCD, or (ii) a denial letter if TND Loan application is not approved, within ten (10) business days of receipt of a complete packet.
- Emails the escrow instructions and closing documents to the title company, upon receipt of the signed Commitment Letter (the Commitment Letter must be signed by the Borrower and return to the City within five (5) business days from date of issue).

The following closing documents must be submitted digitally via DAHLIA to MOHCD for review before funding (with the **exception** of the executed Original City Note):

- The executed original City Notes (TND Note);
- Copy of the signed City Escrow Instructions;
- Certified copy of the executed City notes (TND Note);
- Certified copy of the executed City deeds (TND Deed);
- Certified copy of the Grant Deed;
- Certified copy of the Requested for Copy of Notice of Default;
- Certified copy of the First Deed of Trust;
- Certified copy of the First Note;
- Certificate of Homeowner Insurance Policy; or HO6 Insurance Policy;
- Estimated Master Settlement Statement;
- Any other liens behind the City loans.

Upon receipt of the borrower's executed original City promissory note and copies of documents described above from escrow:

- Funds the TND loan within five (5) business days from the time of approving a final packet of closing documents.
- Closes the TND loan on or before the 30-day Commitment Expiration Date. If for any reason, escrow cannot close within the Commitment period, please notify MOHCD immediately.
- Monitors Borrowers throughout the life of the loan to ensure compliance with occupancy requirements.

## **SECTION 7 – ADDITIONAL PROVISIONS**

### **7.1 Application Changes after Submission**

The Borrower and the Lender must verify the completeness and accuracy of the application before it is submitted to MOHCD. Under no circumstances will MOHCD permit any changes that will affect the Borrower's ratios, household size, income and assets for qualifying purposes.

Allowable changes include: (1) the removal of an applicant due to death or dissolution of marriage or domestic partnership; (2) the addition of an applicant's Spouse or Domestic Partner or a new Household member in the case of an adoption or new guardianship; (3) an update of income qualification, such as a new job or additional household income; or (4) correction of technical errors, such as current phone number or other non-qualifying information. **MOHCD's approval is final. If the first mortgage loan amount, interest rate, or loan term changes before close of escrow, additional documents must be submitted to the City for re-underwriting.**

### **7.2 Transferring Applications to another Lender**

If an applicant changes from one Participating Lender to another after the TND submission (either before a commitment or after a commitment has been issued), the new Lender will be required to verify that the applicant meets the Program requirements by resubmitting the TND application to MOHCD for review and approval.

### **7.3 Request for Application Reconsideration**

An applicant requesting reconsideration of a disqualified application shall submit new information or documentation contesting the disqualification to MOHCD within 3 business days from the date of the disqualification letter and MOHCD shall respond by the end of a 7 business day period from the date of the disqualification letter.

## **7.4 Loan Packages Processing**

All loan packages will be processed by the City according to the date of receipt. All required documents must be included in the application package. Incomplete packages will delay the processing of the application and will be deleted within 48 hours in our DAHLIA system.

### **General Guide**

MOHCD is relying on the Lenders and Borrowers to provide correct information on applications. This reliance is based upon the Lender certifications about reasonable investigation of the Borrower and statements by the borrower that facts are correct. Each Lender and Borrower provides information and signed certifications, which are specific about the information provided and its correctness. False statements or fraud made in connection with A TND application may constitute a federal violation punishable by a fine and/or denial of the application, or if TND funds have been released prior to discovery of the false statements or fraud, immediate recalling of the TND loan, which may be in addition to any criminal penalty imposed by law. Therefore, MOHCD encourages the Lenders and the Borrowers to provide accurate information and ensure that applications are within the TND eligibility requirements.