



**CITY OF SANTA ANA
MY FIRST HOME
PROGRAM GUIDE
2026**

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INTRODUCTION AND OVERVIEW

My First Home Program

The City of Santa Ana created its My First Home Program to assist income eligible households wishing to buy their first home and choose to do so in the City of Santa Ana ("City"). The program is funded through various funding sources, including the City's Community Development Block Grant (CDBG), the State's CalHome Grant, and the City's Inclusionary Housing Fund. The Program offers 0%, deferred payment loans of up to \$120,000 for households at or below the threshold. My First Home Program provides financial assistance to pay all or a part of the following expenses when purchasing their first home (depending on the funding source and availability): down payment, closing costs, subsidize the interest rate and mortgage principal, and/or mortgage insurance, thereby reducing the overall mortgage loan amount and making homeownership more accessible for first-time buyers (Housing and Community Development Act of 1974, Sec. 105. [42 U.S.C. 5305] (a) (24)). By lowering the principal, eligible participants may benefit from lower monthly mortgage payments, potentially faster equity accumulation, and greater long-term financial stability.

In order to apply for the City's My First Home Program, applicants must not exceed the income limits and have completed a pre-purchase counseling course from a HUD approved housing counseling agency. The applicant's ability to make a down payment of at least 3% of the purchase price from their own seasoned funds is also required. In addition, homes must be evaluated for lead-based paint hazards and be free of building/health and safety code deficiencies. Note, the City adopted a Local Resident Preference (Ordinance No. NS-3066), where the City will give preference to City residents and workers in local, State, and/or Federal housing programs so long as the preference follows Federal and State law.

These and other loan requirements are described in detail in this My First Home Program guide. Prospective My First Home Program participants will be able to apply to the Program after having received initial approval of first mortgage loan financing from a licensed mortgage lender. My First Home Program funds are provided as a 0% interest, deferred payment loan. The loan becomes due if the property is sold or transferred, the property is no longer owner-occupied, at the end of the loan period, or upon accessing home equity through a refinance, whichever comes first.

Program Administration

The City's My First Home Program is managed by the Housing Division of the Community Development Agency (CDA). The CDA administers the funds awarded by HUD, the California's Department of Housing and Community Development (HCD), and local leadership. As the administrator, the City must ensure that its programs and expenditures comply with all applicable Federal, State, and local regulations. Per the Code of Federal Regulations (24 CFR 570.611) folks who exercise functions or responsibilities with respect to CDBG activities are not eligible to benefit from this CDBG-funded activity. This includes full-time and part-time City staff, elected officials, contractors, subcontractors, and immediate family members of City staff.

Program Guide Overview

This Guide outlines the policies that the City and its agents will use to direct the operation of the City's My First Home Program. This Guide is intended to serve as a resource to define the details of policies, eligibility requirements, and the obligations of participants receiving assistance under the Program. It serves as a general reference guide for administrative staff and other interested

parties, including participants, lenders, and other parties with an interest in any transactions take as a part of the Program.

This Manual only addresses the City's My First Home Program and is not intended to be a full compilation of all internal program procedures that the City and its agents follow to ensure effective administration of the policies contained in this manual.

Program Objectives

The Program seeks to achieve the following objectives:

- Increase homeownership to support long-term resilience and economic viability of the City
- Incentivize residents to become first-time homebuyers
- Improve homeownership opportunities for income eligible households

Meeting National Objectives, Requirements, and Priorities

All of the City's CDBG-funded program activities must meet one of the National Objectives as required under the authorizing statute of the CDBG program. The National Objective for the City's My First Home Program is to "Benefit to Low-and Moderate-Income (LMI) persons". The City's My First Home Program serves LMI households, which are households that earn at or below 80% of the area median income (AMI). Outreach and messaging will focus on engaging LMI households.

My First Home Program Property Location

To be eligible, the property being purchased with the City's My First Home Program assistance must be located within the City's incorporated boundaries.

Accessibility, Reasonable Accommodations, and Special Needs

The City's My First Home Program will be accessible to all persons with special needs and will operate in a manner that does not discriminate or limit access to Program services and benefits to persons with disabilities. To ensure that the Program is operating in compliance with Section 504 requirements of the Rehabilitation Act of 1973 and the Americans with Disabilities Act (ADA), the City has assigned staff in accordance with its Section 504 Plan who will:

- Ensure that all facilities where clients will have face-to-face interaction with Program staff are readily accessible and usable by persons with disabilities.
- Confirm that HUD-approved housing counseling agencies and certified housing counselors are providing written and verbal communication to Program applicants regardless of their disability or limited proficiency with the English language to include sign language, braille, interpreters, etc.
- Confirm that HUD-approved housing counseling agencies and certified housing counselors are completing home visits with applicants who are homebound or cannot access a HUD-approved housing counseling agency in person, as needed.
- Appropriately address any identified hearing, visibility, or mobility limitations of the applicant and/or applicant's household members as required by Section 504 and the Americans with Disabilities Act (ADA).
- Work with a disabled applicant's designee who has power of attorney or any nonprofit organization representing the applicant as needed.

All services listed above can be provided upon verbal or written request from the applicant. No additional documentation is required.

In addition, the City complies with Section 508 requirements regarding the accessibility of electronic and information technology for individuals with disabilities. The City's program management vendor assists with ensuring that all public communications, including its website, meet Section 508 requirements.

UNDERWRITING GUIDELINES

Introduction

This document presents underwriting guidelines for the My First Home Program administered by the City's Housing Division. It addresses requirements included in the HUD Regulations at 24 CFR 570 and HCD's CalHome Program Guidelines.

The My First Home Program Underwriting Guidelines ("Guidelines") provide a comprehensive procedure to be followed to ensure:

1. An impartial evaluation of an applicant's eligibility;
2. Resources are maximized by serving applicants in need; and
3. Successful homeownership by creating affordable housing opportunities by reducing housing related cost burdens to income-eligible households.

Underwriting will be carried out by the City's Housing Division of CDA.

Scope

The Guidelines apply to all My First Home Program loans administered by the City.

Guidelines

An applicant's candidacy for the City's My First Home Program loan will be assessed using the following criteria:

1. First-Time Homebuyer
 - a. All applicants must meet one of the definitions of a first-time homebuyer:
 - i. Applicants who do not currently own a residence nor are listed on the title of a residence occupied by others
 - ii. Applicants who have not owned a principal residence within the past three (3) years
 - iii. A displaced homemaker who owned with a spouse
 1. A displaced homemaker is an adult who has not worked full-time within the past two (2) years nor consistently for 12 months and has been either unemployed or underemployed working to care for the family without remuneration
 - iv. A single parent who owned with a former spouse
 1. A single parent is an individual who is unmarried or legally separated from their spouse and has a child or children in which the applicant has custody, joint custody, or is pregnant
 - v. An individual who owned a residence without a permanent foundation in compliance with local, state, or model building codes, and cannot be brought into compliance for less the cost of constructing a permanent structure
 - b. Confirmation of an applicant's homeowner status includes review of credit reports provided by the first mortgage lender, a review of the information submitted in the My First Home program application, and a review of records from a title company such as Chicago Title.
2. First-Time Homebuyer Education
 - a. Applicants must complete an eight-hour first-time homebuyer education course from a HUD approved counseling agency.

- i. The course must include the following minimum topics:
 - 1. Preparing for home ownership
 - 2. Available financing and credit analysis
 - 3. Loan closing and home buyer responsibilities
 - 4. Home maintenance and loan servicing
 - b. Certification from a HUD approved counseling agency is collected at the time of Program application.
 - c. The certification must have been earned within the past 12 months.
- 3. Front-End and Back-End Debt-to-Income (DTI) Ratios
 - a. Front-End Ratio: The applicant's total monthly housing costs, including the first mortgage payment (principal, interest, taxes, insurance, and homeowner association fees, if applicable), shall be a minimum of 28%, but not exceed 40% of the applicant's gross monthly income.
 - b. Back-End Ratio: The applicant's total monthly debt payments, including the first mortgage, credit cards, car loans, student loans, and other obligations, shall not exceed 45% of their gross monthly income.

Applicants exceeding these limits may be subject to additional review and may not qualify for the loan.

- 4. Credit Worthiness Criteria
 - a. The City will utilize a recent and official credit report provided by the first-mortgage lender, housing counseling agency, or applicant, reflecting the credit scores and history reported by all three (3) major credit bureaus.
 - b. Minimum Credit Score: The applicant(s) must have a minimum credit score of 640. Applicants with lower scores may not qualify for the Program.
 - c. Credit History Evaluation: All adult household member's credit history will be reviewed to assess the household's total financial commitments. The applicant's credit history will include a review of past-due accounts, bankruptcies, foreclosures, or defaults. Applicants with serious or recent negative credit history (e.g., bankruptcies within the last three (3) years or foreclosures within the last seven (7) years) are ineligible.
 - d. Compensating Factors: Applicants with credit scores near the minimum credit score threshold *may* still be considered if they present more than one compensating factor such as:
 - i. Recent debt payoffs
 - ii. A larger down payment (up to 20% of the purchase price)
 - iii. Liquid savings up to 20% of the purchase price
 - iv. Strong rental history and payment history
 - v. Steady income and employment history (minimum of two (2) years)
 - vi. Lower back-end debt-to-income ratio than the authorized maximum
 - vii. Mortgage lender pre-approval
- 5. Requirements for the First Mortgage
 - a. Maximum Loan Amount: The applicant must obtain a pre-approval of the maximum first lien mortgage loan available, consistent with affordable housing cost limitations set by the First Mortgage Lender. The first mortgage must have a fixed interest rate and term that are affordable based on the applicant's gross income.
 - b. Fixed Rate Mortgage: The first mortgage must be a fixed-rate mortgage. Adjustable-rate mortgages or any other variable-rate loans are not acceptable.

- c. Mortgage Terms:
 - i. No Negative Amortization: The first mortgage cannot include provisions for negative amortization.
 - ii. No Balloon Payments: The first mortgage must not have a balloon payment provision.
 - iii. No Deferred Interest: The first mortgage must not have provisions for deferred interest.
 - iv. Property shall not be purchased for less than the sum of the existing liens, encumbrances, and interest, including property tax liability, without the express written consent of the City.
 - d. Cosigners: Co-borrowers who will not be residing in the home purchased are not permitted to be on the first mortgage loan in order to be considered for the Program. The applicant must be able to obtain a first mortgage without a cosigner.
6. Down Payment Requirements and Limitations
- a. Applicants must contribute a minimum of 3%, but no more than 20% of the purchase price towards the down payment.
 - b. The applicant must have saved at least 3% of the home's purchase price in their own bank account. These savings must be seasoned (held in the applicant's account for a minimum of 90 days) before applying for the Program. This ensures the applicant has a reliable source of funds for the purchase and demonstrates financial responsibility.
 - c. An applicant may apply up to 3% of the purchase price in separate, gift funds, towards the down payment.
 - d. Cash out of escrow to the applicant is not permitted.
 - e. Debt repayment out of escrow is not permitted.
 - f. In an effort to serve the community in highest need, a household with access to 20%, or more, of the purchase price, in liquid assets, may be denied.
7. Income Requirements
- a. To be considered an income-qualified household, the household must not exceed the designated income threshold determined by the respective funding source:
 - i. CDBG: The applicant must not exceed 80% of Orange County's area median income (AMI), adjusted for family size.
 - 1. The current CDBG income limits can be found at: <https://www.huduser.gov/portal/datasets/cdbq-income-limits.html>
 - ii. CalHome: The applicant must not exceed 80% of Orange County's area median income (AMI), adjusted for family size.
 - 1. The current HCD income limits can be found at: <https://www.hcd.ca.gov/funding/income-limits/state-federal-income-limits/state>
 - iii. Inclusionary Housing Fund: The applicant must not exceed 120% of Orange County's area median income (AMI), adjusted for family size.
 - 1. The current income limits can be found at: <https://www.hcd.ca.gov/funding/income-limits/state-federal-income-limits/state>
 - b. Household Income: All income sources, including those not on title of the property and/or those not included in the first mortgage loan, will be considered when evaluating a household's income eligibility.

- i. Income Sources: All income sources will be counted, including, but not limited to: W2 wages, 1099 wages, cash income, public assistance, pension, income bearing assets, child support, alimony, etc.
 1. For CDBG funded loans:
 - a. Income bearing asset accounts in excess of \$5,000, after the applicant's down payment, is counted towards income.
 - b. The income generated by the assets will apply.
 2. For CalHome funded loans:
 - a. Asset accounts in excess of \$5,000, after the applicant's down payment, is counted towards income.
 - b. The income generated by the assets or 2% of the assets will apply, whichever is greater.
 3. For Inclusionary funded loans:
 - a. Asset accounts in excess of \$5,000, after the applicant's down payment, is counted towards income.
 - b. The income generated by the assets or 10% of the assets will apply, whichever is greater.
- ii. Income will be calculated by projecting the household's gross annual income using a minimum of the last three (3) payments to establish a payment pattern (i.e. weekly, bi-weekly, bi-monthly, monthly, annually, etc.). Annual earnings will be used to determine income eligibility. Earnings will then be broken down by month to determine debt-to-income ratios.
 1. The last three (3) years of federal income tax returns are collected and evaluated to establish a pattern of income. Drastic differences in earnings may require additional information.
 2. Self-employed members will need to provide a [Self-Employed Income Report](#), outlining the last three (3) months of income and expenses. Net income will be calculated for self-employed household members. Supporting documentation is required to substantiate self-reported business income and business expenses.
 3. Borrowers must have at least one continuous year of verifiable income and income tax payment history in the United States at the time of application.
 - a. This requirement is increased to two (2) continuous years of verifiable personal and business income for self-employed individuals.
- iii. Income documentation must be current; within the past 30 – 60 days, depending on payment frequency (i.e. weekly, bi-weekly, bi-monthly, monthly, annually, etc.).
- c. Household Composition: To determine a household size and their income threshold, all household members residing on the property more than 50% of the time will be counted.
 - i. Households without formal or with informal custody arrangements of minor children will need to provide supporting documentation confirming the minor's primary residence.
- d. Co-applicants are permitted but must be consistently included across the first mortgage loan, title, and the My First Home loan.
- e. Household income is reviewed to qualify for the loan, but income will not be re-reviewed during occupancy.

8. Asset Requirements

- a. The balance of all household liquid accounts should, minimally, reflect the Program's minimum 3% of the purchase price down payment contribution.
 - i. These savings must be seasoned (held in the applicant's account for a minimum of 90 days) before applying for the Program. This ensures the applicant has a reliable source of funds for the purchase and demonstrates financial responsibility.
- b. All household asset accounts will be reviewed including but not limited to:
 - i. Checking and Saving Accounts
 - ii. Certificates of Deposit
 - iii. Retirement Accounts
 - iv. Investment Accounts
- c. Applicants will be asked to explain deposits appearing as additional income sources reflected in the statements. Such deposits include but are not limited to:
 - i. Consistent payments received through a third-party money transfer service (Cash App, Venmo, Zelle, etc.)
 - ii. Frequent payments in the approximate or same amount
 - iii. Unexplained lump sum(s) deposits
 - iv. Unexplained cash deposits
- d. Statements from the last three months, or the most recent quarter (depending on the institution's statement practices), will be reviewed
- e. In an effort to serve the community in highest need, a household with access to 20%, or more, of the purchase price, in liquid assets, may be denied.

9. Preference

The City's Housing Division has a local preference for veterans and applicants who live or work in the City. In the event the City has to exercise the preference, additional supporting documentation substantiating veteran or City residency/employment may be requested.

10. Seller's Statement

In the event the property being purchased was a rental property, the seller must provide a written statement declaring an eviction was not initiated for the purposes of selling the property.

11. Occupancy Standards

In an effort to prevent overcrowding, the household size must be compatible with the size of the unit to be purchased. The maximum number of occupants are set as follows:

Number of Bedrooms in the Unit	Maximum Number of Occupants
0	2
1	3
2	5
3	7
4	9

Exceptions may be made within the State of California's and Federal Regulations. Habitable space, safety, square footage, etc. could all be considered when determining exceptions.

12. Appraisal

- a. An appraisal prepared by a state-licensed appraiser will be used to evaluate an applicant's eligibility. The appraisal must include the sales values of comparable properties.
- b. The City's My First Home loan program will not be used if the applicant is purchasing the property for more than its appraised value.
- c. The appraisal submitted must be recent and correspond with the household applying for assistance.

13. Inspection

- a. The unit must pass the City's Health and Safety Inspection for decent, safe, and sanitary housing
 - i. HUD's Housing Quality Standards (HQS) or National Standards for the Physical Inspection of Real Estate (NSPIRE) standards will be applied in the inspection.
 - 1. Should the property not pass the City's initial inspection, the City will offer the following options:
 - a. An opportunity for the seller to repair any health and safety hazards, or,
 - b. Require the seller to offer the buyer a credit to make health and safety repairs.
 - i. The credit must equal the cost of the repair as substantiated by a recent quote provided by a qualified professional in the corresponding field.

A unit that does not pass the City's Health and Safety Inspection may be subject to additional review and may not qualify for the Program.

14. Insurance Requirements

- a. The applicant will need to obtain and maintain homeowner's insurance, including fire insurance, and when required, flood insurance (property must not be located in a Special Flood Hazard Area, designated by FEMA as having special flood, mudflow, or flood-related erosion hazards) on the property throughout the term of the loan. The insurance policy must cover the full replacement value of the property.
- b. The applicant must also obtain title insurance in the full amount of the City's loan at the close of escrow.
- c. The City must be named as an additional loss payee on the insurance policy. This ensures that in the event of a claim, the City is properly listed as a party to the loss settlement to protect its interests in the property.

15. Financing Subordinate to the My First Home Loan Program

- a. Any subordinate financing to the My First Home loan program must adhere to the following:
 - i. Subordinate Financing Terms: The terms of any subordinate financing (e.g., second mortgages) must comply with the Program's requirements. The combined loan-to-value ratio of all loans, including the My First Home loan, must not exceed 100% of the appraised value of the property.
 - ii. Approval of Subordinate Financing: Any subordinate loan must be approved by the City as part of the underwriting process. The applicant must provide documentation regarding the terms and conditions of any subordinate loans, including the interest rate, repayment terms, and type of loan.

- b. Subordinate Financing Restrictions:
 - i. Subordinate loans cannot include terms that would adversely affect the applicant's ability to repay the primary mortgage or the My First Home Program loan.
 - ii. The total of all debt payments, including the first mortgage, My First Home Program loan, and any subordinate financing, must remain within the Program's back-end ratio limit of 45%.
 1. Fees and/or charges must be reasonable and consistent with industry standards.
 2. Balloon payments due before the maturity date of the My First Home loan are not permitted.
 3. Principal and interest payments of the My First Home loan must be deferred for the term of the program loan.

The intent and purpose of the program is to assist income-eligible, first-time homebuyers, with limited resources purchase a home affordable to the household. The guidelines include parameters to ensure sustainability and affordability is accessible to income-limited households. Certain funding sources add an additional parameter to ensure affordability, prevent enrichment, and uphold integrous use of funds by implementing a maximum sales price. The City will reference the respective funding source's maximum sales prices as applicable.

For CalHome funded loans, the price of the home must not exceed the highest local median sales price of a single-family home during the last six (6) months. The City will reference the California Association of Realtors website for updated Orange County median sales prices (2024 HOSN II.B.c.ii) to confirm maximum sales prices.

Assistance

Should the household meet the above underwriting guidelines and Program eligibility criteria, the applicant will be considered for a loan to be used for the My First Home Program. Depending on funding availability, the household will be considered for the following:

1. Loan
 - a. For CDBG funded loans:
 - i. An income-qualified household at or below HUD's 80% AMI, adjusted for family size, will be considered for a loan at 0% interest
 - ii. Funds are to be used for a combination of:
 1. Down payment
 - a. Up to 50% of the down payment required by the first mortgage
 2. Closing costs
 - a. Up to 5% of the first mortgage loan amount
 3. Subsidize the interest rate and mortgage principle
 4. Mortgage Insurance
 - a. All or a part of the premium
 - iii. The loan will be in the amount of \$120,000
 - iv. Loan will be for a 45-year term:
 1. There are no monthly payments throughout the life of the loan
 2. There are no pre-payment penalties
 3. The loan is not assumable
 4. Repayment of the loan is due upon:
 - a. Loan maturity
 - b. Sale or transfer of the property

- i. Property shall not be sold for less than the sum of the existing liens, encumbrances, and interest, including property tax liability, without the express written consent of the City
 - c. The borrower no longer occupies the residence as a primary residence
 - i. Exceptions to the owner occupancy requirement include but are not limited to:
 - 1. Temporary location reassignment due to military commitments
 - 2. Temporary relocation due to medical care and/or treatment
 - d. The City discovers the Borrower knowingly or willfully misstated or misrepresented their Program eligibility status
 - e. There is an uncured default in performance or breach of the Loan Agreement, Deed of Trust, or Promissory Note
 - f. The borrower refinances and elects to receive cash/equity
 - i. Rate-and term refinances where the borrower doesn't receive cash/equity will not trigger a loan repayment
- b. For CalHome funded loans:
 - i. An income-qualified household at or below HCD's 80% AMI, adjusted for family size, will be considered for a loan at 0% interest
 - ii. Funds are to be used for a combination of:
 - 1. Down payment
 - 2. Non-recurring closing costs
 - a. Up to 5% of the sales price
 - iii. The loan will be in the amount of \$120,000 but no more than 40% of the applicant's purchase price (2024 HOSN II.C.2.a.i.)
 - iv. Loan will be for a 30-year term:
 - 1. There are no monthly payments throughout the life of the loan
 - 2. There are no pre-payment penalties
 - 3. The loan is not assumable unless written authorization is provided by the City or stated in the Loan Agreement, Deed of Trust, and/or Promissory Note
 - 4. Repayment of the loan is due upon:
 - a. Loan maturity
 - b. Sale, transfer, lease, or encumbrance of the property without the City's written consent
 - i. Property shall not be sold for less than the sum of the existing liens, encumbrances, and interest, including property tax liability, without the express written consent of the City.
 - ii. While the following transfers are exceptions and will not trigger repayment, the City must be notified and the owner must receive the City's written consent:
 - 1. 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 who will occupy the property, which is
 - a. a transfer where the spouse becomes the 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
- c. The borrower no longer occupies the residence as a primary residence.
 - i. Exceptions to the owner occupancy requirement include but are not limited to:
 1. Temporary location reassignment due to military commitments.
 2. Temporary relocation due to medical care and/or treatment.
 - d. There is an uncured default in performance or breach of the Loan Agreement, Deed of Trust, or Promissory Note
 - e. The borrower refinances and elects to receive cash/equity
 - i. Rate-and term refinances where the borrower doesn't receive cash/equity will not trigger a loan repayment
- c. For Inclusionary Housing funded loans:
 - i. An income-qualified household at or below HCD's 80% or HCD's 120% AMI, adjusted for family size, will be considered for a loan at 0% interest
 - ii. Funds are to be used for a combination of:
 1. Down payment
 2. Non-recurring closing costs
 - a. Up to 5% of the sales price
 - iii. The loan amount is determined by the household's income
 1. A household earning at or below HCD's 80% AMI, adjusted for family size, will be considered for a \$120,000 for loan
 2. A household earning at or below HCD's 120% AMI, adjusted for family size, will be considered for a \$80,000 for loan
 - iv. Loan will be for a 45-year term:
 1. There are no monthly payments throughout the life of the loan
 2. There are no pre-payment penalties
 3. The loan is not assumable unless written authorization is provided by the City or stated in the Loan Agreement, Deed of Trust, and/or Promissory Note
 4. Repayment of the loan is due upon:
 - a. Loan maturity
 - b. Sale or transfer of the property

- i. Property shall not be sold for less than the sum of the existing liens, encumbrances, and interest, including property tax liability, without the express written consent of the City
 - c. The borrower no longer occupies the residence as a primary residence
 - i. Exceptions to the owner occupancy requirement include but are not limited to:
 - 1. Temporary location reassignment due to military commitments
 - 2. Temporary relocation due to medical care and/or treatment
 - d. The City discovers the Borrower knowingly or willfully misstated or misrepresented their Program eligibility status
 - e. There is an uncured default in performance or breach of the Loan Agreement, Deed of Trust, or Promissory Note
 - f. The borrower refinances and elects to receive cash/equity
 - i. Rate-and term refinances where the borrower doesn't receive cash/equity will not trigger a loan repayment
 - 5. Profit share upon sale or transfer
 - a. Profit share in the amount of 5% is due to the city upon sale or transfer of the property
 - b. Profit share is 5% of the difference between the borrower's original purchase price and the sale price of the property
 - c. Exception to the profit share:
 - i. Program recipient purchases and occupies a residential property within the City of Santa Ana within one (1) year of the sale or transfer of the property
2. Homebuyer Education (*CalHome funded loans, only*)
- a. Households will be reimbursed up to \$250 for the required homebuyer education
 - b. In order to be reimbursed for the homebuyer education, applicants will need to provide:
 - i. A receipt detailing the following:
 - 1. Name and address of the housing counseling agency
 - 2. The expense amount for the homebuyer education
 - 3. Date the class was completed
 - 4. Name(s) of the applicant(s) receiving the homebuyer education
 - ii. A copy of the applicant's certification, dated within the past 12 months
 - c. The reimbursement will be processed at the close of escrow
3. Forgiveness (*CDBG and Inclusionary Housing funded loans*)
- a. Returning Student Loan Forgiveness Incentive
 - i. Folks who lived in the City while they attended high-school or attended a high school in the City and have a four (4) year college degree or trade school certificate are eligible for a limited loan forgiveness
 - 1. The maximum amount of forgiveness shall be up to \$40,000
 - 2. Every five (5) continuous years the returning student occupies the home as their primary residence, \$10,000 will be forgiven

3. The maximum length of time for the incentive shall be over a period of 20 years
- ii. The City will request additional documentation substantiating “Returning Student” status
- b. Veteran or Active Duty Personnel Incentive
 - i. Veterans and/or Active Duty Personnel are eligible for a limited loan forgiveness
 1. The maximum amount of forgiveness shall be up to \$40,000
 2. Every five (5) continuous years the veteran/active duty personnel occupies the home as their primary residence, \$10,000 will be forgiven
 3. The maximum length of time for the incentive shall be over a period of 20 years
- c. The incentives may not be layered. A household will only be eligible for one of the two incentives for loan forgiveness

Property Eligibility

1. Property must be located within the City’s incorporated boundaries.
2. The borrower must occupy the property as their primary residence.
3. Purchase of a home that has not been issued a Certificate of Occupancy is NOT eligible under this Program.
4. Stick-built, modular and manufactured housing are eligible if permanently affixed to a foundation and the land is included in the purchase.
5. Property must be held in a form acceptable to first mortgage lender and resulting in a free and clear title and property transfer.
6. Properties in which any compensated parties to the transaction have an interest will only be eligible if such interest is disclosed to the buyer in writing in advance and acknowledged by the buyer with their signature.

For CDBG Funded Loans

1. Purchase of a home from a Family Member, as defined in the Glossary of the FHA Single-Family Housing Policy Handbook, 4000.1, is NOT eligible under this Program.
2. Property to be purchased must meet the definition of Arm’s Length Transaction contained in the Glossary of the FHA Single-Family Housing Policy Handbook, 4000.1. Arm’s length transactions are not limited to transactions between family members. The burden is on the potential buyer to prove that it is an arm’s length transaction.
3. Property must not be located in a Special Flood Hazard Area, designated by FEMA as having special flood, mudflow, or flood-related erosion hazards.
4. Property must NOT be located in proximity (not less than 5 miles) to a site identified in the EPA Superfund National Priorities or CERCLA List or other hazardous conditions [24 CFR 58.5(i)(2)]

Ineligible Property Types

1. Multi-family properties such as duplexes, triplexes, etc.
2. Single Wide Mobile Homes
3. Homes not permanently affixed to a permanent foundation
4. Vacation / Second Homes
5. Mobile / Recreational
6. Timeshares
7. Community Land Trusts

8. Working Farms and Ranches
9. Unimproved Land
10. Leaseholds / leased land
11. Condotels
12. Geodesic Domes

Mortgage Loan Eligibility

1. First mortgage loans must be positively amortizing and feature fixed payments.
2. The first mortgage loan amount must be the maximum amount within the applicant's affordability.
3. Provisions for negative amortization, principal increases, balloon payments, or deferred interest are not permitted.
4. First mortgage loans must be obtained from loan providers duly registered in the Nationwide Mortgage Licensing System and Registry (NMLS).
5. Subordinate secured debt must be a positively amortizing fixed rate, fixed payment loan or if non-fixed, cap annual payment increases so as to ensure housing payments increase by no more than 10% of the prior year's payment.
6. Subordinate financing with interest-only and/or balloon payments is permitted as long as the term is not shorter than 120 months.
7. Closing costs must be customary for the market.

Final Eligibility

Final Eligibility will be determined after all eligibility verifications have been performed and all calculations have been completed.

1. The City will verify applicant identification using U.S. government issued identification (such as a California issued driver's license, U.S. Passport, etc.) for adults and birth certificates for minors. If a birth certificate for the minor is not available, the city may accept adoption papers, custody agreement, court-ordered assignment, school registration, or verification from a social service agency.
2. My First Home loan program will use the HUD, HCD, or a similar Income Calculator, depending on the funding source, to determine if an applicant meets the designated income criteria., adjusted for family size, where the property is being purchased. The City will reference HUD or HCD's income limits, whichever applies, to determine eligibility.
3. The property being considered for purchase must pass an inspection as specified in the "Inspections, Title Searches, and Appraisals" section.
 - a. If the property does not meet all the Property Eligibility requirements, the City will notify the applicant in writing. Note that the applicant will not automatically lose their opportunity for assistance; however, a new property will need to be identified. This caveat will be subject to funding availability.

For CDBG funded loans

Each property will undergo an environmental review to meet the regulations of Categorically Excluded, Not Subject to Part 58.5 as outlined in 24 CFR Part 58.35.

Loan Agreement, Deed of Trust, Promissory Note, and Monitoring

The My First Home Program assistance will not require repayment as long as the Program participant maintains the home purchased with My First Home Program funds as their primary residence until the end of the loan period. When the Program participant closes on the purchase of the home, they will execute a My First Home Program Loan Agreement (to be recorded), Deed of Trust (to be recorded), and a Promissory Note. The My First Home Program Promissory Note

will automatically become due at the end of the loan period, following transfer, home purchase or cash out refinance, or, if the property is repossessed by a mortgage loan holder through foreclosure for nonpayment of indebtedness secured by an ownership interest in the property.

Any attempt by the Program participant to sell or transfer an ownership interest prior to repaying the City loan or before the end of the loan term, will result in the City being notified when the Program's Loan Agreement and Deed of Trust are identified during a review of the property records. If the My First Home Program participant sells or transfers an ownership interest in the home before repaying the City loan or before the end of the loan period, the entire amount of original Program funding that was provided to the Program participant must be repaid to the City for use by another eligible household.

Homeownership Assistance Program Operation

The City will work with the network of HUD Certified Housing Counseling Agencies that provide homebuyer education services to eligible applicants. The City will process My First Home Program applications and deliver documents to the home purchase transaction closings and provide the My First Home Program funds to closing.

My First Home Program assistance will be secured by a lien on the property in the form of a 30- or 45-year, 0% interest, deferred payment loan, which will be recaptured if the recipient sells or transfers an ownership interest in the property, initiates a cash out refinance, does not maintain the property as the primary residence, or, at the end of the loan period, whichever comes first. My First Home Program recipient(s) will execute a Loan Agreement (to be recorded), Deed of Trust (to be recorded), and a Promissory Note registered upon transaction closing, establishing this requirement.

Awarded applicants will not receive My First Home Program funds directly, but instead will have program funds delivered to the agent responsible for closing the home purchase transaction. Coordinating My First Home Program assistance with the first mortgage process allows the City to manage the program efficiently and minimize applicant fallout, delays, and administrative costs, resulting in more funds being available for homebuyers.

Compliance with State and Federal Requirements

The City commits to complying with all applicable regulations under the HUD and HCD Regulations and other local, state and federal housing assistance programs. This includes compliance with eligibility requirements, nondiscrimination policies, and fair housing laws.

Guidelines, Amendments, and Updates

The City will update these Guidelines as needed based on changes to HUD or HCD Regulations, state or federal laws, or local policy. Any changes to these Guidelines will be approved by the City's CDA Executive Director and reported to the appropriate authorities.

These Guidelines are effective July 16, 2026.

By signing below, the undersigned confirm that they have reviewed and approve the My First Home Loan Program Underwriting Guidelines and agree to abide by the terms outlined in these Guidelines.

Authorized By:

Michael L. Garcia

Michael Garcia

Executive Director of Community Development Agency
City of Santa Ana

On:

July 16, 2026

Date

APPLICATION PROCESS

Potential applicants may self-identify or may be referred by another city or Orange County program, from a HUD Certified Housing Counseling Agency, housing or mortgage finance agency, or from a realtor, mortgage, or finance professional familiar with the Program. The City will manage outreach for potential applicants, assisting with completing the application, instructing how to meet documentation requirements, and explaining the steps in the application process.

The My First Home Program application process will include a preliminary eligibility evaluation of the household, the property, and the mortgage loan. During the preliminary eligibility evaluation, the City may require additional information from the applicant household to determine the household's final eligibility. The documentation required to determine Program eligibility may differ from documentation required by the first mortgage lender. The currently allocated budget for the My First Home Program is limited and the City anticipates that applications under this Program will significantly exceed available funds.

Applications for this Program will primarily use the "first ready, first served" approach. HUD, HCD, and the City requirements for the Program include serving income-qualified households that meet other eligibility requirements for the Program. Below is the order of the application process to be followed for approval:

1. Prospective homebuyer completes a HUD approved 8-hour homebuyer class.
2. Homebuyer chooses a lender and receives a pre-qualification for a first mortgage.
3. Homebuyer signs a purchase contract and opens escrow.
4. Homebuyer and/or lender provides a complete My First Home Program Application Packet to the City of Santa Ana Housing Division for an eligibility evaluation with all required documents and forms. All applications must contain the documents indicated in the Application's "Document Checklist".
5. Lender Packet must be submitted which includes:
 - a. Realtor, Lender, Title & Escrow company contact information
 - b. Purchase Contract
 - c. 1003 Application
 - d. First Mortgage Loan Approval letter with terms
 - e. DU Summary/AUS Findings
 - f. Copy of the credit report
 - g. Estimated closing statement
 - h. Copy of appraisal and home inspection (when available)
 - i. Flood Certificate
 - j. Wire Instructions
 - k. Vesting
 - l. Preliminary Title Report with Legal Description
6. In addition to the City loan approval, the property must pass an inspection by City Staff for lead-based paint hazards and building/health and safety code deficiencies.
7. If homebuyer is eligible and the home passes inspection, City of Santa Ana reserves funds and notifies the Homebuyer and Realtor.
8. Realtor notifies the City of Santa Ana of scheduled closing date 10 business days prior to close of escrow date.
 - a. Any cash out of escrow to Borrowers is prohibited.
9. Recipients must obtain title and hazard insurance at close of escrow.
10. Fire insurance (and flood insurance where applicable) requirements are as follows:

- a. Borrowers are required to maintain insurance on the property in an amount at least equal to the replacement value of the improvements; and
- b. City must be named as additional loss payee on the policy.

Incomplete application packets will cause delays in the approval process.

Personally Identifiable Information (PII)

The City is committed to protecting the privacy of all individual stakeholders, including applicants, the public, and those individuals working on the Program. The Homebuyer Assistance Program will be administered with the utmost care of the applicant's PII. The homebuyer process is a collaborative effort which includes communication with the applicant's lender, real estate agent, the seller's real estate agent, escrow company, and housing counseling agency. Unless authorized by the applicant, information will not be shared or distributed outside of those involved in the transaction.

Income Determination and Verification Procedures

The City has adopted the IRS 1040 method of income eligibility verification for all recipients of CDBG funding and will follow all HUD and HCD-published regulations and rules for HUD Certified Housing Counselors concerning income eligibility/income certification for My First Home Program applicants.

Applicant Appeals

An appeal is defined as a written request by an applicant asking for reversal of a determination that affects their eligibility and/or amount of assistance they may receive from the City's Program.

Applicants have the right to appeal any determination made by the Program concerning applicant eligibility or the amount of assistance that may be received within 30 calendar days of the date of the determination letter. Applicants may appeal determinations or denials that are contingent upon Program policies. However, it should be noted that the City does not have the authority to grant an appeal of statutory or HUD or HCD-specified CDBG and CalHome program requirements.

Applicants who want to file an appeal should use the City's Request for Appeal Form located at: <https://www.santa-ana.org/my-first-home-application-documents/>.

After an appeal request is received by the City, staff will provide the applicant with written acknowledgement of the appeal within 15 working days of receipt.

Involuntary Program Withdrawal

Unless an alternative timetable is approved in advance, all requested documentation must be submitted within 15 days of its request. If the Program notifies the applicant of missing documentation necessary to complete determination of eligibility and the applicant does not provide the necessary documentation to complete the eligibility determination within 15 days of such notice requesting additional documentation, the application will be closed and a notice will be sent to the applicant indicating the closed status of the application. Upon this notification to the applicant, they will be instructed that a new application must be submitted for consideration if the applicant still desires to seek assistance from the Program.

Duplication of Benefits

Duplication of benefits, receiving assistance for the same activity by the same funding source, is not permitted. For example, applicants who have already received other CDBG-funded homebuyer assistance from another entity for the same transaction is not eligible for a CDBG-funded homebuyer assistance loan through the City. Applicants who receive other homebuyer assistance from any other source may be considered to receive additional financial assistance from this Program under the following conditions:

1. The total assistance, combined, does not exceed the purchase price
2. The City's loan comes in second place
3. The buyer does not receive any of the assistance as a direct cash payment
 - a. CalHome funded loan recipients will be reimbursed directly for the cost of the mandatory homebuyer education certification

My First Home loan funds may not be applied to down payment and/or closing costs associated with the purchase of an Inclusionary home made available through the City's Affordable Housing Opportunity and Creation Ordinance.

ENVIRONMENTAL REVIEW, INSPECTIONS, TITLE SEARCHES, AND APPRAISALS

For CDBG funded loans:

Environmental Review

An environmental review process is required for all HUD-assisted projects to ensure that the proposed undertaking does not negatively impact the property or surrounding social, cultural, and physical environment and possible historic fabric. The specific purpose of the environmental review process for the My First Home Program is to ensure that with respect to the property being purchased there are no environmental hazards present, there is no adverse impact on the community social and cultural fabric, and that the property does not have potential historic value.

Every project must comply with the National Environmental Policy Act (NEPA), and other related Federal and state environmental laws. For more information, refer to <https://www.epa.gov/nepa>.

An environmental review must be completed for all project activities prior to obligating Program funds.

- The HUD rules and regulations that govern the environmental review process can be found at 24 CFR Part 58.
- The provisions of the National Environmental Policy Act (NEPA) and the Council on Environmental Quality (CEQ) regulations in 40 CFR Parts 1500 through 1508 also apply. Other federal and state laws and regulations (some of which are enforced by State agencies) also apply depending upon the type of project and the level of review required.

For the My First Home Program, the level of Environmental Review is defined at 24 CFR 58.35(b)(5). Activities to assist homebuyers to purchase existing or new dwelling units that have already obtained a certificate of occupancy prior to their involvement in the program, including closing costs and down payment assistance, interest buy downs, and similar activities that result in the transfer of a title will require a Categorically Excluded (Not Subject to 58.5) (CENST) Environment Review. The environmental review for any activity in this Program will require a formal determination (including preparing a CENST review and inclusion into the project files) of the environmental regulations at 24 C.F.R. § 58.6. Other Requirements to include are:

- Location within a Special Flood Hazard Area;
- Location within a Coastal Barrier Resource System unit;
- Purchase or sale of an existing property in a Runway Protection Zone or Clear Zone and;
- Lead-based paint in properties constructed before 1978.

The City, as the Responsible Entity, is charged with the responsibility of approving all CENSTs.

Special Flood Hazard Area

A Standard Flood Hazard Determination Form must be completed by a qualified entity and submitted for all transactions. If the property is determined to be in a Special Flood Hazard Area, the property will not qualify for CDBG assistance. For funding sources that may allow a property to be in a Special Flood Hazard Area, flood insurance will be required.

Coastal Barrier Resources Area

The Coastal Barrier Resources Act (CBRA), 16 U.S.C. §3501 et seq., protects coastal areas that serve as barriers against wind and tidal forces caused by coastal storms and serve as a habitat for aquatic species. In compliance with the Act, if the property is determined to be located within a Coastal Barrier Resources Area, the property will not qualify for CDBG assistance.

Runway Protection Zone or Clear Zone

In case that a property is determined to be in a runway protection zone or clear zone, the City, as the Responsible Entity, must inform the buyer of the implications of such location and that there is a possibility that the property, may at a later date, be acquired by the airport operator. The buyer must sign an acknowledgement statement understanding the implications of such purchase.

Lead Hazard Assessment

All pre-1978 built properties acquired through this Program must be compliant with the provisions for lead reduction found at 24 CFR. § 35. If HUD lead-based paint requirements are not met, these properties will not be eligible to qualify for homebuyer assistance due to time and cost that would be needed to reduce the lead paint hazard.

The regulation is divided into subparts. The specific Subparts that apply to this Program include:

- Subpart A: Disclosure
- Subpart B: General Requirements and Definitions
- Subpart K: Acquisition, Leasing, Support Services, and Operations
- Subpart R: Methods and Standards for Lead-Based Paint Hazard Evaluation and Reduction

The lead-based paint requirements for homebuyer assistance programs are found at 24 CFR Part 35 Subpart K, which covers the acquisition (but not rehabilitation) of properties. The purpose of these requirements is to identify and stabilize deteriorated paint in housing. The requirements for homebuyer programs apply to all pre-1978 units, not just to those occupied by children under six years of age.

Notification

Administrators of homebuyer programs must ensure that the following take place to comply with the lead regulation's notification requirements:

1. Disclosure [24 CFR 35 Subpart A].
2. Lead Hazard Information Pamphlet [24 CFR 35.1010(b); 24 CFR 35.130].
3. Notices of Lead Hazard Evaluation and Reduction [24 CFR 35.1010(a); 24 CFR 35.125].
 - a. Visual Assessment [24 CFR 35.1015(a)].
 - b. Paint testing [24 CFR 35.110].

Due to state regulations regarding lead testing (NCGS 130A-453.03) within the state and the limited availability of qualified testers, the City may offer lead testing services based on feasibility and availability of qualified testers to aid transaction closings at the discretion of the City. Other lead inspectors may be used at the discretion of the applicant so long as they comply with state and federal regulations.

Heightened scrutiny for assessments will be used when there are young children involved in the transaction due to increased risk of exposure.

For all My First Home loans:

Inspections

Property inspections are a traditional part of real estate transactions and protect prospective buyers. Inspections are a required component of any transaction receiving My First Home Program funds from the Program. Failure to have an initial private inspection performed by a certified professional in a timely manner will jeopardize closing timelines.

All properties must meet City Building Code requirements, Zoning Code requirements and the physical standards and inspection procedures of the FHA/VA/RD or Fannie Mae/Freddie Mac mortgage loan product, associated with the first mortgage loan. CalHome funded loans must be inspected and conform to the State Housing Law outlined in California Health and Safety Code (H.S.C.) §17910 et seq.

All properties must pass a Housing Quality Standards (HQS) inspection or National Standards for the Physical Inspection of Real Estate (NSPIRE) inspection, per the City's discretion. Inspections will include an assessment of health and safety including but not limited to lead based paint hazards, electrical and fire safety, exits, permitted and unpermitted changes, potential and evident water damages, etc. This inspection will be completed by internal City staff, after the initial private inspection, but before receiving final approval for the Program.

Should the property not pass the City's initial inspection, the City will offer an opportunity to resolve the hazards at the seller's expense. A unit with unresolved hazards identified in the inspection will not qualify for the program.

Title Searches and Appraisals

Title searches should be performed by the buyer or their agents to ensure clear title to the property can legally be passed to the buyer at closing. This prevents property disputes. The City reserves the right to conduct an additional title search to confirm "first-time homebuyer" eligibility.

Additionally, mortgage lenders traditionally require property appraisals to verify home values. As such, the program relies on these appraisals for valuation purposes, and they are a required component of the program.

ADMINISTRATIVE REQUIREMENTS AND PROGRAM MANAGEMENT

The City and its beneficiaries, subrecipients, and contractors must adhere to federal and state requirements, as applicable, and provide confirmation of compliance upon request. This section provides a summary of the significant and applicable Federal regulations for the City's My First Home Program.

Americans with Disabilities Act

The Americans with Disabilities Act of 1990 (ADA) prohibits discrimination and ensures equal opportunity for persons with disabilities in employment, State and local government services, public accommodations, commercial facilities, and transportation. It also mandates the establishment of a telecommunications device for the deaf (TDD) or telephone relay services. The City takes affirmative steps to ensure that people with disabilities have equal access to the programs offered by the City, and that any services are delivered in the most integrated manner possible. Qualified persons with disabilities are informed of the availability of program services and activities, and the City's programs or services are readily accessible to, and usable by, individuals with disabilities. City also ensures that reasonable modifications or changes to policies, practices, or procedures are made in order to guarantee people with disabilities equal access to services and programs. Additionally, all programs and activities are accessible, both structurally and administratively, to persons with disabilities. the City's mandate to conform to the requirements of ADA, flows down to all of its stakeholders, including recipients, vendors and developers.

Financial Management

The City has in place proficient financial controls. The City ensures that it, as the grantee, as well as responsible for administering CDBG resources, continuously demonstrate conformity with financial management requirements as shown in 2 CFR 200 and applicable Federal Registers. These requirements include, but are not limited to, areas covering: Financial Management; Advances; Internal Controls; Accuracy of Report Information; Program Income; Salaries and Wages; Indirect Costs; Lump Sum Drawdowns; and Single Audit provisions pursuant to 2 CFR 200 Subpart F (formerly OMB Circular A-133). The City's financial management system ensures that City funds are managed with high levels of accountability and transparency.

The City's Monitoring and Compliance team ensures that the City's Financial Management practices adhere to the following:

- Internal controls are in place and adequate;
- Documentation is available to support accounting record entries;
- Financial reports and statements are complete, current and reviewed periodically; and
- Audits are conducted in a timely manner and in accordance with applicable standards.

Recordkeeping, Retention and File Management

In accordance with HUD regulations, the City follows the records retention requirements cited in 2 CFR 200, which includes financial records, supporting documents, statistical records and all other pertinent records. The City shall retain all financial records, supporting documents, statistical records, and all other records pertinent to the Agreement for five (5) years from the time of closeout of HUD's grant to the City or for five (5) years from the time of closeout of the loan, or for the period provided in the CDBG regulations at 2 CFR 200.333. Notwithstanding the above, if

there is litigation, claims, audits, negotiations, or other actions that involve any of the records cited and that have started before the retention period, then all such records must be retained until completion of the actions and resolution of all issues, or the retention period, whichever occurs later.

Administrative Records

These are files and records that apply to the overall administration of the Program participant's activities. They include the following:

- Personnel files;
- Property management files;
- General program files: Files relating to the subgrantee, recipient's, or contractor's project
- Information form to the grantee, the recipient agreement, program policies and guidelines,
- Correspondence with grantee and reports, etc.;
- Legal files: Articles of incorporation, bylaws of the organization, tax status, board minutes, and
- Contracts and other agreements.

Financial Records

These include the chart of accounts, a manual on accounting procedures, accounting journals and ledgers, source documentation (purchase orders, invoices, canceled checks, etc.), procurement files, bank account records, financial reports, audit files, etc.

Project/Case Files

These files document the activities undertaken with respect to individual beneficiaries, property owners and/or properties.

Record Retention

The City's My First Home Program will operate in accordance with City's Record Retention and Access Policy. The City will follow the records retention rules as stated in 2 CFR § 200.333–200.337 as well as those required by state law. The City is required to maintain all required My First Home Program documentation, title commitments, transfer instruments, covenants, and other evidence pertaining to all purchase costs and expenses incurred and revenues received in sufficient detail to reflect all costs, direct, and indirect, of labor, materials, equipment, supplies, services, and other costs and expenses of whatever nature, for which payment is claimed. Records must be maintained for a minimum of five (5) years beyond Program close out and/or lien release, whichever is later.

LOAN SERVICING PLAN

Introduction

This document presents a loan servicing plan for the CDBG, CalHome, and Inclusionary Housing funded, My First Home Program, administered by the City's Housing Division of CDA. It addresses requirements included in the HUD Regulations at 24 CFR 570 and the CalHome Program Guidelines. The Loan Servicing Plan outlines processes to:

- Monitor owner-occupancy, current insurance, and property tax payments;
- Manage pay-off demands, repayments, reconveyances, and collections of notes in default or foreclosure; and
- Calculate payoffs.

Loan servicing activities will be carried out by the City and/or by the contracted loan servicer as requested by the City.

Scope

The Loan Servicing Plan applies to all CDBG, CalHome, and Inclusionary Housing funded, My First Home loans, administered by the City.

Monitoring

Housing Division personnel will continue to initiate a monitoring on the anniversary of the borrower's close of escrow every year.

1. Owner-Occupancy

- a. On an annual basis, all homebuyer assistance recipients will receive a request verifying the property purchased with assisted funds continues to serve as their primary residence. Verification shall consist of a signed notice and a utility bill with the owner and property address listed. The owner's confirmation will be documented as verification.
- b. If the borrower fails to respond, either a City Inspector or a contracted service will be sent to the residence to confirm occupancy.

2. Hazard and/or Flood Insurance

- a. The Housing Division requires homeowners add the City as an additional mortgagee for hazard and, when applicable, flood insurance policies. Verification is collected at close of escrow.
- b. On an annual basis, all homebuyer assistance recipients will receive a request verifying the property purchased with assisted funds continues to be insured with the City listed as a second mortgagee. As an additional mortgagee, the City receives notices of lapses or annual renewals of the borrower's insurance policy. In the event the insurance has lapsed, either the Housing Division or a contracted service will contact the homeowner and/or insurer to reinstate the insurance.

3. Property Tax Payments

- a. Per the City's agreement with the loan servicer, the City will request the loan servicer's assistance in ordering a tax service contract and monitor the timely repayment of property taxes. This request will take place, every year, on the anniversary of the borrower's close of escrow.

Management

1. Payoff Demands

- a. In accordance with existing procedure and contract with the loan servicer, the Housing Division will request Payoff Demands. City personnel will review those Payoff Demands for accuracy and identify the original funding loan source. City personnel will refer back to the original agreements and loan set-up to confirm loan principal and current balance. Demands will be approved by the Housing Division before transmitting them to the borrower.

2. Repayments

- a. In accordance with existing procedure and contract with the loan servicer, the loan servicer will collect payments made by the borrower through scheduled payments of principal, fees, and other identified payments.
 - i. Repayment of CDBG or Inclusionary Housing funded loans will be due and collected at the end of the 45-year term, sale or transfer of the property, the owner no longer occupies the residence as a primary residence, or, the owner refinances and elects to receive cash/equity.
 - ii. Repayment of CalHome funded loans will be due and collected at the end of the thirty 30-year term, sale or transfer of the property, the owner no longer occupies the residence as a primary residence, or, the owner refinances and elects to receive cash/equity.
- b. Repayments will be accepted through various methods including electronically or via check. Remittances will be forwarded to the City. The City will have separate accounts specifically for the funding sources being repaid.
- c. The Housing Division does not anticipate creating impound accounts for loan borrowers. Should it do so, the Division would act through the loan servicer to create and maintain such accounts.

3. Reconveyances

- a. In accordance with existing procedure and contract with the loan servicer, the loan servicer will continue to mail the Housing Division reconveyances upon receiving full payments. The Housing Division will continue to process reconveyances and lien releases. The City will maintain access to a notary public, obtain the required notarized signature, and send the notarized document back to the loan servicer for recording. City personnel will advise the Finance department of incoming remittances, specifically, loan repayments, to ensure funds are properly allocated into the corresponding account.

4. Collections of Notes in Default

- a. Loan assistance administered by the City are not assumable under any circumstances, including default or foreclosure.
- b. Should a default occur, the Division will follow the policy adopted by the City Council at its meeting of June 1, 1992. The policy authorizes the Executive Director of CDA to take any of the following actions to protect the City's interests:
 - i. Initiate foreclosure proceedings;
 - ii. Bid at a foreclosure sale in an amount sufficient to protect the City's security interest;
 - iii. Purchase a senior note and deed of trust or another lien; or,
 - iv. Acquire property through foreclosure or deed in lieu of foreclosure

- v. The Executive Director may determine not to take any of the above actions when in the Executive Director's opinion, such actions would be financially infeasible or would be counter-productive to the interests or objective of the City.
- c. When a note is in default, the City will take various steps towards collecting payment prior to initiating any proceedings. The loan servicer will provide the City loss mitigation services, as requested, including:
 - i. Delinquency notices
 - ii. Due diligence phone calls
 - iii. Forbearance agreements
 - iv. Waterfall options in accordance with Fannie Mae
 - v. Foreclosure proceedings
 - vi. Bankruptcy Monitoring
 - vii. Bankruptcy Proceedings
- d. The City will redirect My First Home loan- related remittances, as a result of a foreclosure, to the specified funding account.

Calculate Payoffs

1. Payoff Statements

- a. The loan servicer is responsible for providing loan payoff statements. Upon receiving a request for a loan payoff statement, the loan servicer will provide a Payoff Statement outlining the following:
 - i. Principal Balance
 - ii. Interest, if applicable
 - iii. Recording Fee
 - iv. Reconveyance Fee
 - v. Demand/Statement Fee
 - vi. Foreclosure Fee, if applicable
- b. In the event where a loan includes calculations, such as, an equity/profit sharing clause, the City will provide the loan servicer the calculation of the equity share amount to be included in the payoff statement. The City will calculate the corresponding proportion outlined in the borrower's executed Loan Agreement, Deed of Trust, and/or Promissory Note.

The payoff statement will be signed and approved by the City before being provided to the requesting party, i.e. borrower, escrow, etc. The payoff statement will include a repayment date, 30 days from the date the statement was created, along with payoff instructions. The loan servicer may charge additional fees should payments be received after the provided 30 days.

Compliance

The City commits to complying with all applicable regulations under HUD, HCD, and other local, state and federal housing assistance programs.

Plan Amendments and Updates

The City will update this plan as necessary to align with changes in HUD regulations, state or federal laws, local policies, or guidance. Any revisions to the plan will be approved by the Executive Director of the City's CDA and reported to the relevant authorities.

The plan is effective July 16, 2026.

By signing below, the undersigned confirm that they have reviewed and approve the Loan Servicing Plan and agree to abide by the terms outlined in the plan.

Authorized By:

Michael L. Garcia

Michael L. Garcia

Executive Director of Community Development Agency

On:

July 16, 2026

Date

ACRONYMS AND DEFINITIONS

Acronyms

Acronym	Name
ADA	Americans with Disabilities Act
AMI	Area Median Income
CDA	Community Development Agency
CDBG	Community Development Block Grant
CENST	Categorically Excluded Not Subject to 58.5
CEQ	Council on Environmental Quality
CFR	Code of Federal Regulations
DTI	Debt-to-Income
FEMA	Federal Emergency Management Agency FHA Federal Housing Administration
HCD	Department of Housing and Community Development
HQS	Housing quality standards
HUD	Department of Housing and Urban Development
IRS	Internal Revenue Service
LMI	Low- and Moderate-Income
NEPA	National Environmental Policy Act
NFIP	National Flood Insurance Program
NMLS	Nationwide Mortgage Licensing System
NSPIRE	National Standards for the Physical Inspection of Real Estate
SFHA	Special Flood Hazard Area
TDD	Telecommunications device for the deaf

Definitions

Acquisition – The utilization of funds to acquire real property.

Applicant(s) – An individual or household/family who applies for homeownership assistance to the City's My First Home Program.

Appraisal – The product of a systematic approach to determine an accurate estimate of a home's market value using comparable recent sales in the home's immediate area or neighborhood, conducted by a professional appraiser who is licensed through the State of California.

Appraised Value - An estimate of the price a property would bring in an arm's length transaction between an unaffiliated and knowledgeable buyer and seller.

Appraiser – A duly licensed and qualified individual who conducts a real estate property appraisal in California.

Area Median Income (AMI)– The median household income adjusted for family size, defined by Metropolitan Statistical Area or county for locations not proximate to any Metropolitan Statistical Area. It is further defined as the median (middle point) household income for an area adjusted for household size as published annually by HUD. Once household income is determined, it is

compared to HUD's income limit for that household size. Income limits are adjusted annually for all areas.

Back-End Ratio – The applicant's total monthly debt payments, including the first mortgage, credit cards, car loans, student loans, and other obligations, shall not exceed 45% of their gross monthly income.

Borrower(s) – The person(s) who:

1. receives a loan from a mortgage lender and the City to purchase a property;
2. is legally responsible for the repayment of the loans; and
3. is subject to any penalties for nonpayment of the loans based upon the terms as described in the loan agreement, deed of trust, and/or promissory note.

CalHome – A program funded by California's Department of Housing and Community Development, granting local public entities funding to create homeownership opportunities for first-time homebuyers.

Community Development Block Grant (CDBG) – HUD funding that provides annual grants on a formula basis to states, cities, and counties to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low- and moderate-income persons. The program is authorized under Title 1 of the Housing and Community Development Act of 1974, Public Law 93-383, as amended 42 U.S.C. 5301 et seq. allocated to eligible disaster recovery entities via congressional appropriations

Closing Costs – Reasonable and customary costs necessary to complete the closing of a mortgage loan to acquire real property. Typical mortgage closing costs include mortgage lender fees, property appraisal and inspection fees, attorney fees, taxes, title insurance, and registration and filing fees. It is expected that closing costs will not exceed 5% of the sales price. Closing costs do not include payoff of borrower debt.

Closing Documents – All documents necessary to complete the legal sale of real property in the state of California and effect a security interest for any mortgage lender participating in the transaction. Also includes informational documents such as the Loan Estimate and Closing Disclosure required to be provided to all mortgage borrowers by the Consumer Financial Protection Bureau. For the My First Home Program, there will be a Loan Agreement, Deed of Trust, and a Promissory Note.

Dwelling – Any building, structure, or portion thereof that is occupied as, or designed or intended for occupancy as, a residence by one or more households/families, and any vacant land that is offered for sale or lease for the construction or location thereon of any such building, structure or portion thereof. 42 U.S.C. 3602

Disability – For the purposes of this Program, disability is consistent with federal law under the Social Security Act, as amended, 42 U.S.C. 423(d), the Americans with Disabilities Act of 1990, as amended, 42 U.S.C. 12102(1)-(3), and in accordance with HUD regulations at 24 CFR 5.403 and 891.505.

Down Payment – A lump sum contribution generating a difference between the property purchase price and the total mortgage loan amount. The contribution may consist of an amount from the homebuyer and/or gift funds within the Program's guidelines.

Electronic Execution – The process by which all required signatories of Closing Documents execute any and all documents via electronic means. Electronic means may include the transmittal of document signatures by scanning the original signed documents and transmitting those executed copies back to the Program via Email, DocuSign, or other method approved by the City.

Fair Housing Act – The Fair Housing Act of 1968, 42 U.S.C. 3601-3619, prohibiting discrimination against protected classes of people in the sale or rental of housing, in the provision of housing assistance, or other housing-related activities. The FHA obligates HUD grantees and their subrecipients to take reasonable steps to ensure meaningful access to their programs and activities for protected classes. The FHA also requires HUD and its program participants to affirmatively further the purposes of the FHA.

First-Time Homebuyer – An individual, an individual and spouse, partners, and/or co-buyers who have not owned a home during the three (3) years preceding the closing of the purchase transaction for which My First Home Program assistance is being provided. The term includes an individual or individuals who owns or owned, as a principal residence during the preceding three-year period, a dwelling whose structure is either (1) not permanently affixed to a permanent foundation in accordance with local or state regulations, or, (2) not in compliance with state, local, or model building codes and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure. The term first-time homebuyer also includes an individual who is a displaced homemaker or single parent, as those terms are defined in 24 CFR 93.2 and the CalHome Guidelines:

Displaced Homemaker – an individual who:

1. Is an adult;
2. Has not worked full-time for a full year in the labor force within the preceding two (2) years, but has, during such years, worked primarily without remuneration to care for the home and family; and
3. Is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.

Single Parent – an individual who:

1. Is unmarried or legally separated from a spouse; and
2. Has one or more minor children of whom the individual has custody or joint custody or is pregnant.

Flood Insurance – The Flood Disaster Protection Act of 1973 (42 U.S.C. 4012(a)) requires that projects receiving federal assistance and located in an area identified by the Federal Emergency Management Agency (FEMA) as being within a Special Flood Hazard Area (SFHA) be covered by flood insurance under the National Flood Insurance Program (NFIP). In order to be able to purchase flood insurance, the community must be participating in the NFIP. If the community is not participating in the NFIP, federal assistance cannot be used.

Front-End Ratio – The applicant's total monthly housing costs, including the first mortgage payment (principal, interest, taxes, insurance, and homeowner association fees, if applicable), shall be a minimum of 28%, but not exceed 40% of the applicant's gross monthly income.

Homeowners Insurance – Also known as casualty insurance and hazard insurance, coverage that protects a property owner against damage caused by natural events and other unexpected events that cause damage to the home, to people on the property, and to the contents of the home. Often

the cost of annual premiums to maintain coverage are added to the monthly mortgage payment and remitted to the insurer by the mortgage lender's servicing agent.

Household Income – The anticipated gross amount of income from all sources for all adult household members during the upcoming 12-month period in accordance with the definition of annual (gross) income at 24 CFR Part 5.

Household Size – A household is defined as ALL persons occupying the same housing unit, regardless of their familial status or relationship to each other. The household members include all persons, including minor children and adults.

Housing Counseling Agency – A public or private non-profit organization established as a HUD-approved provider of housing education and counseling services.

HUD - United States Department of Housing and Urban Development.

Inclusionary Housing Fund – Revenue generated by the in-lieu fees from the City's Affordable Housing Opportunity and Creation Ordinance used to create affordable housing. HCD's most recently published AMI limits will be used to verify the income eligibility of each household applying for My First Home Program assistance prior to awarding Program funding.

- Low: Household's annual income at or below 80% of the area median family income, adjusted for family size, as determined by HCD.
- Moderate: Household's annual income is more than 80% and at or below 120% of the area median family income, adjusted for family size, as determined by HCD.

IRS 1040/Adjusted Gross Income ("AGI") Calculation Method – Citizens of the United States and resident aliens, except those with gross incomes that fall below a certain level, are required to file an income tax return with the Department of the Treasury's Internal Revenue Service (IRS) each year. The tax return is officially referred to as IRS Form 1040. The Adjusted Gross Income (AGI) is listed on the IRS Form 1040 and is the dollar amount used to determine an applicant's income eligibility for participation in the CDBG Programs.

Loan Period – Shall be 45 years or 30 years (depending on the funding source) from close of escrow, or when the property is sold or transferred, or when the owner no longer occupies the residence, whichever applies first.

Low and Moderate Income (LMI) – Low- to moderate-income households are those having incomes not more than 80% of Area Median Income, adjusted for household size, as established by HUD on an annual basis.

Low- and-Moderate-Income (LMI) National Objective - One of three national objectives that any CDBG activity must meet. Activities that meet the LMI objective must benefit households whose total annual gross income does not exceed 80% of Area Median Income (AMI), adjusted for family size. Income eligibility will be determined and verified in accordance with HUD Guidance. HUD's most recently published AMI limits will be used to verify the income eligibility of each household applying for My First Home Program assistance prior to awarding Program funding.

- Low: Household's annual income at or below 50% of the area median family income, adjusted for family size, as determined by HUD.

- **Moderate:** Household's annual income is more than 51% and at or below 80% of the area median family income, adjusted for family size, as determined by HUD.

Manufactured Housing – A dwelling unit composed of one or more components substantially assembled in a manufacturing plant and transported to a building site on its own chassis for placement on a supported structure. This definition does not include mobile homes.

Mortgage Loan - A loan in which property or real estate is used as collateral. The Borrower enters into an agreement with a mortgage lender wherein the Borrower receives cash upfront then makes payments over a set time span until the entire loan is repaid to the mortgage lender.

Mortgage Lender – A mortgage lender is a financial institution providing secured loans for purchase and refinance of real property. For My First Home Program purposes, the first mortgage loan in the home purchase must be obtained from loan providers duly registered in the Nationwide Mortgage Licensing System (NMLS) and Registry.

National Flood Insurance Program (NFIP) – The National Flood Insurance Program (NFIP) is managed by the Federal Emergency Management Agency and is delivered to the public by a network of approximately 60 insurance companies and the NFIP Direct. The NFIP provides flood insurance to property owners, renters, and businesses.

Owner Occupied – Where the person(s) who own the property uses the home as their primary residence.

Primary Residence – A dwelling where a person maintains or will maintain residence for the majority of the calendar year. A person may have only one (1) primary residence at a time.

Purchase Price – The sales price of a property as denoted in the Offer to Purchase and Contract.

Seasoned Funds – funds the applicant has held in their own bank account, for no less than 90 days, reflecting an established financial history.

Special Flood Hazard Area (SFHA) –An area identified by the United States Federal Emergency Management Agency (FEMA) as an area with a special flood or mudflow, and/or flood related erosion hazard, as shown on a flood hazard boundary map or flood insurance rate map.