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SECTION 1. INTRODUCTION

Thank you for your interest in the City of Union City's Affordable Homebuyer Program. Below Market Rate (BMR) homes are priced to be affordable to households that are at or below certain designated income levels. These guidelines contain the specific requirements for eligibility and ongoing compliance.

Please visit the City's website at www.unioncity.org/BMR. At this website, you can:

- a) See listings of BMRs once they are on the market.
- b) Sign up for the Affordable Housing Interest List by entering your email address. Once you are signed up, you will receive email notifications when BMRs become available and other information about affordable housing opportunities in Union City.
- c) Access additional information and resources.

Interested buyers should also work with their real estate agents to monitor the Multiple Listing Service (commonly referred to as MLS) and to arrange showings with the listing agents for currently available BMR homes.

Taking a HUD-approved, 8-hour Homebuyer Education Workshop early in the homebuying process is strongly recommended. If a household's application is approved, the workshop will be a requirement for all adult members of the household. The City does not offer these courses directly; however, they are offered by numerous local organizations. See the City's website or contact the Affordable Homebuyer Program for more information.

Another important first step in the homebuying process is to get in touch with a lender to get preapproved for a primary mortgage. The lender will help interested buyers determine the amount they qualify for as well as the price range of homes they can afford.

The City does not accept applications until a buyer enters into a purchase agreement with the seller. See Section 4.1, Resale Process Overview, in these guidelines for more information.

SECTION 2. DEFINITIONS

Affordability Table: Also known as the Housing Affordability Table. The table is used to set the maximum resale price for BMR homes. The factors included in the table are the applicable State of California income limits for Alameda County in effect at the time the home is put on the market, homeowners association dues for the home, and assumptions regarding mortgage interest rates, down payment, property taxes, utilities/maintenance, insurance, and private mortgage insurance (if applicable).

Affordable Price: Below market rate homes are sold at an affordable price to a household that is at or below certain designated income levels. The affordable prices are set using a formula that considers the income level at which the home has been designated, estimated future housing expenses of the household (varies depending on homeowners association dues and fluctuations in mortgage interest rates), and the number of bedrooms in the home.

ALTA Policy: A type of title insurance provided by title companies in the American Land Title Association. Protects against everything covered in a CLTA policy, plus additional risks such as easements or encroachments not shown by public records, or conflicting boundary lines and water rights.

Amortizing Loan: A loan where the principal of the loan is paid down over the life of the loan. Fully amortizing payment refers to a periodic loan payment, where if the borrower makes payments according to the loan's amortization schedule, the loan is fully paid off by the end of its set term. If the loan is a fixed-rate loan, each fully amortizing payment is an equal dollar amount. Negative amortization is an increase in the principal balance of a loan caused by making payments that fail to cover the interest due.

Annual Gross Income: See Gross Household Income and Household Income.

Applicant: A household that has submitted an application to the City of Union City's Affordable Homebuyer Program.

Area Median Income (AMI): The midpoint in the income distribution within a specific geographic area. The area median income adjusted for household size is published annually by the California Department of Housing and Community Development.

Arm's Length Transaction: Transaction in which the buyer and seller act independently and with no interest in the other's benefit. For BMR resales, it refers to an adequate marketing effort whereby the public has equal opportunity to view the for-sale home and submit an offer, and the selected offer is not based on a preexisting relationship.

Asset Reserves: A supply of liquid or readily converted assets owned by the program participant after closing, in an amount sufficient to cover a minimum of two months of expenses. Sometimes called "cash reserves."

Assets: Items of ownership which can be converted into cash; total resources of a person or business, such as cash, notes and accounts receivable, securities, inventories, goodwill, fixtures, machinery, or real

estate. See Section 3.2, Household Assets, for the types of assets that are counted and not counted for the purpose of Affordable Homebuyer Program eligibility.

Back-End Ratio: Ratio of the amount of monthly income that will go toward paying debts, post-purchase, for an Affordable Homebuyer Program applicant, at the time their application is submitted.

Below Market Rate (BMR) Homes: A BMR home is priced to be affordable to a household that is at or below certain designated income levels. BMR homes have restrictions recorded against them to ensure they remain affordable for a set period. If they are resold before that time expires, they are sold for an affordable price and the time limit is reset.

Beneficiary: For loans secured with a Deed of Trust, the beneficiary named in that deed typically refers to the lender. For use agreements (such as a BMR home's Resale Restriction Agreement) secured by a Deed of Trust and Security Agreement, the beneficiary named in that deed typically refers to the jurisdiction administering the Affordable Homebuyer Program, such as the City of Union City.

CalHFA: The California Housing Finance Agency.

Covenants, Conditions and Restrictions (CC&Rs): A document that controls the use, requirements, and restrictions of a property that is part of a homeowners association.

City: The City of Union City.

City Council: The legislative body of the City of Union City.

City Staff: An employee or designee of the City of Union City responsible for actions related to the program or these guidelines.

CLTA Policy: A type of title insurance provided by title companies in the California Land Title Association. Protects homeowners from financial loss associated with title fraud or forgery, including recorded claims on the title and unpaid taxes by a previous owner. Offers less coverage than ALTA policies.

Combined Loan to Value (CLV): The percentage of a property's value plus any outstanding debt on the property that a lender can or may loan to a borrower.

Debt-to-Income Ratio: See Back-End Ratio and Front-End Ratio.

Debt-to-Loan Ratio: The percentage of gross monthly income that goes toward paying for one's monthly housing expense, alimony, child support, car payments and other installment debts, and payments on revolving or open-ended accounts, such as credit cards.

Deed and Note: Shorthand for a Deed of Trust and its accompanying Promissory Note.

Deed in Lieu of Foreclosure: A deed to real property accepted by a lender from a defaulting borrower to avoid the necessity of foreclosure proceedings by the lender.

Deed of Trust: A document used to establish the security for a loan, including for mortgage loans. Typically uses the property to secure repayment of a loan or other obligation. Once fully executed, notarized, and properly recorded, the Deed of Trust becomes a lien against the property.

Deed of Trust and Security Agreement: Similar to a Deed of Trust which secures a loan, a Deed of Trust and Security Agreement secures obligations established in a use agreement (such as in a BMR's Resale Restriction Agreement). Once fully executed, notarized, and properly recorded, the Deed of Trust and Security Agreement becomes a lien against the property.

Down Payment: An initial payment made when something is bought on credit.

Eligible Household: See Qualifying Household.

Fair Housing: State or federal laws that govern the fair and unbiased treatment of buyers and renters when selling or renting a house.

Fannie Mae (Federal National Mortgage Association [FNMA]): A New York Stock Exchange Company. It is a public company that operates under a federal charter and is the nation's largest source of financing for home mortgages. Fannie Mae does not lend money directly to consumers, but instead works to ensure that mortgage funds are available and affordable, by purchasing mortgage loans from institutions that lend directly to consumers.

First-Time Homebuyer: Individuals that have not owned a residential property during the three-year period before applying for participation in the Affordable Homebuyer Program, regardless of whether or not the individual's interest in such property results in a financial gain, such property is in another state or country, or the member has occupied such property as his or her primary residence. Exceptions to this definition include:

- a) An individual who owned a home with a former spouse during their marriage.
- b) An individual who has owned a principal residence that was not permanently affixed to a permanent foundation, according to applicable regulations.
- c) An individual who has owned a property that was not in compliance with state or local building codes and which cannot be brought into compliance for less than the cost of constructing a permanent structure.

Freddie Mac: Federal Home Loan Mortgage Association. An independent stock company which creates a secondary market in conventional residential loans and in Federal Housing Association and Department of Veterans Affairs loans by purchasing mortgages.

Front-End Ratio: An individual's monthly housing expenses divided by his or her monthly gross income, at the time their application for the Affordable Homebuyer Program is submitted. It is evaluated in conjunction with the back-end ratio.

Gross Household Income: All income, before any deductions are taken, from whatever source derived, of all adult household members (18 years of age and older), whether or not such income is exempt from federal income tax. Refer to Section 3.1, Household Income, for a list of income sources and exceptions.

HCD: California Department of Housing and Community Development.

Homebuyer Class or Homebuyer Workshop: A HUD-approved course designed to provide basic education for first-time homebuyers. The date on the completion certificate for the class must be within six months of the date of the close of escrow.

Homeowners Association (HOA): A nonprofit association that manages the common areas of a condominium or planned home development. Homeowners pay a fee to the HOA to maintain areas owned jointly.

Household: All those persons—related or unrelated—who will occupy the home they intend to purchase that is associated with their application to participate in the City’s Affordable Homebuyer Program.

Household Income: Combined anticipated gross income for the 12-month period following date of determination of income for all members of the household who are over 18 years old. See Section 3.1, Household Income.

Household Size: Number of persons who will be living in the BMR home that meet the requirements in Section 3.5, Household Composition, Size, and Occupancy.

Housing Expenses: Principal and interest on a mortgage loan, including any loan insurance fees, private mortgage insurance, property tax assessments, homeowners insurances, homeowners association dues, property maintenance and repairs, and a reasonable allowance for utilities.

HUD: United States Department of Housing and Urban Development.

Income: Anticipated gross income for the 12-month period following date of determination of income. See Section 3.1, Household Income.

Income Levels: Income categories determined periodically by HCD based on AMI (area median income) and adjusted for actual household size. HCD determines AMIs on a county-by-county basis, and Union City uses the Alameda County AMI. To qualify for a Homebuyer Program, a household must earn at or below the designated income level.

- a) Moderate Income = 101%–120% of AMI
- b) Median Income = 81%–100% of AMI
- c) Low Income = 51%–80% of AMI
- d) Very Low Income = 50% or less of AMI

Inter Vivos Trust: Trust documents enhance estate planning and the effective transfer of assets to heirs. An Inter Vivos Trust document, also known as a living trust, administers the assets put into a trust for the beneficiary during the settlor's lifetime.

Joint Tenancy: The holding of an estate or property jointly by two or more parties, the share of each passing to the other or others on death.

Legal Resident: A citizen or other national of the United States or a qualified alien as defined by the Federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

Lien: A legal hold or claim to keep possession of property belonging to another person until a debt owed by that person is discharged.

Living in Union City: Occupying and renting, at time of application and for at least six months prior to application date, a bona fide rental dwelling home within the Union City city limits, as evidenced by valid third-party documentation (copy of two utility bills [PG&E or water], one from at least one year ago and one more recent, both showing at least one member of the household with a Union City address; or copy of a current rental agreement).

Loan Subordination: See Subordination and Subordination Agreement.

Loan to Value: The percentage of a property's value that a lender can or may loan to a borrower.

Maximum Household Income: The maximum combined gross income that a household can have, adjusted for household size, to be able to qualify for program participation, according to the designated income level of the BMR home or First-Time Homebuyer Loan Program Guidelines.

Maximum Resale Price: The purchase price to be paid by a buyer of a BMR home that was previously purchased by a qualified household, as calculated according to Section 4.2, Maximum Resale Price Calculation.

Monitoring: See Owner Occupancy Monitoring.

Multiple Listing Service (MLS): An association of real estate agents providing for a pooling of listings and the sharing of commissions on a specified basis. The fastest way to find out about a new BMR listing.

Note: See Promissory Note.

Occupancy Limits: The minimum and maximum number of household members eligible to purchase and occupy a BMR home of a certain number of bedrooms, as established by City ordinance and described in Section 3.5, Household Composition, Size, and Occupancy. Minimum occupancy is one person or the number of bedrooms, whichever is greater. Maximum occupancy of home is determined as follows: each bedroom may have a maximum of two people; one additional person may live outside of a bedroom within the home. The City's occupancy limits are applicable, as long as the standards do not violate fair housing requirements and comply with any applicable state and federal laws and regulations.

Owner Occupancy Monitoring: Program participants are periodically monitored to ensure compliance with the requirement that they occupy the home as their primary place of residence for at least ten months of the calendar year. Upon request, program participants are required to submit a signed and notarized affidavit and valid third-party documentation such as, but not limited to, a property tax statement or utility bill.

Primary Residence: Program participants must occupy their home as their primary residence, defined as living in the home a minimum of ten months out of the year.

Promissory Note: A written promise to pay a specified sum of money to a designated person or to his or her order, or to the bearer of the note, at a fixed time or on demand. The document executed by loan recipients and dated concurrently with the Deed of Trust securing the Promissory Note. The Promissory Note establishes the principal loan balance and indebtedness.

Purchase-Ready: Able to qualify for adequate financing to purchase a BMR home; able to provide the minimum down payment, plus closing costs (while retaining adequate asset reserves to cover a minimum of two months of housing expenses); and completion of a HUD-certified homebuyer course. Applicants with recent foreclosures, bankruptcies, credit scores below 660, or inadequate down payment funds do not qualify as purchase-ready.

Qualifying Household: A household that meets the requirements listed in Section 3, Eligibility Requirements for Buyers.

Reasonable Accommodation: Accommodations in program rules, policies, practices, or services, when such accommodations may be necessary to afford a disabled person, or a household with a disabled member, equal opportunity to apply for, use, and enjoy a BMR home, including public and common use areas, as would be available to non-disabled persons or households in similar circumstances. The requested accommodation must be reasonable, must be reasonably related to the particular disability of the household member, and must be necessary to provide the household with equal access to housing.

Refinance: Getting a new mortgage to replace the original is called refinancing. Refinancing is done to allow a borrower to obtain a better interest term and rate. The first loan is paid off, allowing the second loan to be created. See also Subordination and Subordination Agreement.

Resale Restriction Agreement: Sometimes referred to as a “use agreement.” Agreement between the BMR owner and the City, recorded on title during the purchase transaction. Contains restrictions imposed by the City’s program on the use and conveyance of the BMR home.

Sale: Any voluntary or involuntary sale, conveyance, assignment, or transfer of ownership of or any interest in the property, including a fee simple interest, tenancy in common, joint tenancy, community property, tenancy by the entireties, life estate, or other limited estate, leasehold interest or any rental of the residence, or any interest evidenced by a land contract.

Short Sale: A sale of real estate in which the proceeds from selling the property will fall short of the balance of debts secured by liens against the property and the property owner cannot afford to repay

the liens' full amounts, whereby the lien holders agree to release their lien on the real estate and accept less than the amount owed on the debt. Any unpaid balance owed to the creditors is known as a deficiency.

Special Assessment: A fee charged to the owner by the homeowners association to cover the cost of improvements which are necessary and will cost in excess of the funds in the association's treasury and regular dues payments.

Subordination: In banking and finance, refers to the order of priorities in claims for ownership or interest in various assets, such as real property. A first mortgage lien is given higher priority than a second mortgage lien and will be paid first. A lien that is recorded second has second priority and will be paid second, and so forth. In the case of a short sale or foreclosure, the order of the liens is an important issue.

Subordination Agreement: A document which is typically required by a lender if a borrower wants to refinance their first mortgage and they have other liens or mortgages on title. In a subordination agreement, a prior lienholder agrees that its lien will be subordinate (junior) to a subsequently recorded lien.

Tenancy in Common: A type of shared ownership of property, where each owner owns a share of the property. Unlike in a joint tenancy, these shares can be of unequal size and can be freely transferred to other owners both during life and via a will.

Title: A legal document evidencing a person's right to or ownership of a property.

Title Insurance: Insurance that protects the lender (lender's policy) or the buyer (owner's policy) against loss arising from disputes over ownership of a property. See also CLTA Policy and ALTA Policy.

Total Household Income: All gross household income and assets received (as calculated pursuant to Section 3, Eligibility Requirements for Buyers).

Transfer: See Sale.

Transferee: A person who receives property being transferred.

Transferor: The person from whom title or ownership to property moves.

Trustee: Holder of legal title to a property. Typically, a title company processing an escrow will be named as the trustee in the deed(s). The trustee holds the title as security for a loan (debt) between a borrower and lender. The equitable title remains with the borrower.

Trustor: A trustor named in a Deed of Trust is synonymous with a borrower. A trustor named in a Deed of Trust and Security Agreement is synonymous with a BMR owner.

Valid Third-Party Documentation: Documents issued directly by a public agency, private utility company, taxing entity, creditor, financial institution, school, employer, business, landlord/property manager or certified public accountant on such entity's own letterhead, verifying one or more eligibility

criteria of any applicant, co-applicant, or their dependents. Such documentation may be verified by Affordable Homebuyer Program staff through direct contact with such agency/issuer by phone, email, or written inquiry to verify accuracy of document's contents. Written statements of parties with any direct or indirect interest in the BMR home purchase (i.e., persons related to applicant by blood/family relationship, marriage, business ties [other than certified public accountant, in the case of self-employment income]) or other close personal relationship do not qualify as valid third-party documentation.

Working in Union City: Earning one's primary source of annual income (salary, wages, commissions), and working at least 50 percent of working hours within the Union City city limits, at the time of the application and for at least six months prior to the application date. Employment must be by a Union City employer that is licensed and permitted by the City, at a primary work site in Union City; or through operation of a Union City-based business that is licensed and permitted by the City. Working in Union City does NOT include volunteer or unpaid work, or self-employment consisting solely of operating a business entity established solely for the purposes of investment in a rental property. Income earned in Union City must be verified by at least one of the following:

- a) Copy of first and most recent pay stub, establishing length of employment.
- b) Letter from employer, on company letterhead, indicating continuous employment for the past six months with at least 50 percent of working hours in Union City.
- c) If self-employed in Union City, then the business must have a current City of Union City business license for at least six months at the time of application, and the office must be in Union City.

SECTION 3. ELIGIBILITY REQUIREMENTS FOR BUYERS

This section describes the characteristics necessary for a household to be considered eligible for program participation. While living or working in Union City is not a requirement, during the buyer selection, sellers must apply preference criteria to applicants, as described in the City's inclusionary ordinance, which is:

- a) First priority: persons who have been displaced by the proposed project;
- b) Second priority: persons who live or work in the City of Union City
- c) Third priority: all other eligible persons

In summary, the eligibility requirements are:

- a) Income and assets within allowable limits
- b) First-time homebuyer (or meets an allowable exception)
- c) Homebuyer Education Course/Workshop completed
- d) Household meets composition, size, and occupancy requirements
- e) Legal resident
- f) Financing requirements met
- g) Purchase-ready
- h) Disclosures and Declarations forms completed

Section 3 is organized as follows:

Section 3.1. Household Income

Section 3.1.1. Income Inclusions and Exclusions

Section 3.1.2. Types of Employment and Income Calculations

Section 3.2. Household Assets

Section 3.2.1. Assets Inclusions and Exclusions

Section 3.3. First-Time Homebuyer (FTHB)

Section 3.4. Homebuyer Education Workshop

Section 3.5. Household Composition, Size, and Occupancy

Section 3.6. Legal Resident

Section 3.7. Financing Requirements for Buyer(s)

Section 3.7.1. Credit Score

Section 3.7.2. Front-End and Back-End Debt-to-Income Ratios

Section 3.7.3. Down Payment

Section 3.7.4. Gift Funds

Section 3.7.5. Senior Financing

Section 3.7.6. Junior Financing and Additional Liens

Section 3.7.7. Loan to Value Limits

Section 3.7.8. All Cash Sale

Section 3.8. Purchase-Ready

Section 3.9. Disclosures and Declarations Forms

Section 3.1. Household Income

Current household income must be at or below the most current income limits as approved by the City Council and found in the Housing Affordability Table. The Housing Affordability Table is available on the City's website. Household income includes all income that is derived by all adult household members, age 18 and above, from all sources, as described below, whether or not such income is exempt from federal income tax. The City reserves the right to request additional documentation, if needed, to accurately assess the household income.

Section 3.1.1. Income Inclusions and Exclusions

Section 3.1.1.1. Income Inclusions

Wages, Salaries, Tips: The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, fringe benefits, tips and bonuses. Includes compensation for services rendered, such as freelance, online businesses, side businesses, consulting, and self-employment.

Business Income: The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight-line depreciation, as provided in Internal Revenue Service (IRS) regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.

Interest and Dividends: Interest, dividends, and other net income of any kind. Expenditures for amortization of capital indebtedness may not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in Business Income (above).

Retirement and Insurance: The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump sum amount or prospective monthly amounts for the delayed start of a periodic amount.

Social Security Income (SSI) and Supplemental SSI: Deferred periodic amounts from Social Security and SSI benefits that are received in a lump sum amount or in prospective monthly amounts.

Unemployment and Disability: Payments in lieu of earnings, such as unemployment and disability compensation, workers' compensation, and severance pay (except as provided in One-Time Inheritance and Insurance Income; see Income Exclusions).

Welfare Assistance: Welfare assistance payments made under the Temporary Assistance for Needy Families program are included in annual income.

Armed Forces Pay: All regular pay, special pay, and allowances of a member of the Armed Forces (except as provided in Armed Forces Hostile Fire Pay; see Income Exclusions).

Adoption Assistance, Child Support, and Alimony Payments: All forms of adoption assistance, child support, and alimony payments.

Cash Income: From all bank accounts held in whole or part from each member of the household over 18 years old.

Periodic Payments: Periodic payments made on behalf of anyone in the household by others including but not limited to rent and living expenses.

Certain Assets: Certain assets will be included in the income calculation and are specified below, in Section 3.2.1, Assets Inclusions and Exclusions.

Gambling Winnings: Refers to periodic winnings from lotteries, raffles, horse races, and casinos. One-time, lump-sum winnings are excluded as income but included in asset calculations.

Section 3.1.1.2. Income Exclusions

Income of Children: Income from employment of children (including foster children) under the age of 18 years and full-time students living elsewhere.

Foster Care Payments: Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone).

One-Time Inheritance and Insurance Income: One-time additions to household assets, such as inheritances, insurance payments (including payments under health and accident insurance and workers' compensation), capital gains, and settlement for personal or property losses (except as provided in Unemployment and Disability; see Income Inclusions).

Medical Expense Reimbursements: Amounts received by the household that are specifically for, or in reimbursement of, the cost of medical expenses for any household member.

Student Loan: The full amount of student loans.

Armed Forces Hostile Fire Pay: The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.

Home Care Assistance: Amounts paid by a state agency to a household with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep this developmentally disabled household member at home. This exclusion does not apply to a household member that earns income providing home care assistance outside of their household.

Certain Assets: Certain assets will be excluded in the income calculation and are specified below.

Section 3.1.2. Types of Employment and Income Calculations

Household income may be calculated differently depending on income sources or variability, as described below. In some cases, multiple calculations may be used, particularly for households that have multiple sources of income. Applicants are required to submit copies of all bank statements, certificates of deposit, stocks, bonds, mutual funds, trusts, brokerage, 401(k), retirement accounts, W-2s, tax statements, IRS disclosure forms, pay stubs, and documents for any other income sources for each member of their household over 18 years of age.

Section 3.1.2.1. Less Than Full-Time Income

If all members of the household work less than a full-time equivalent or are unemployed, the household will be responsible for paying for at least 50 percent of the value of the home. Their application must demonstrate that they have a sufficient combination of income and/or assets to do so. Full-time students are not eligible to purchase a BMR home. Buyers should have an employment history of at least two years and cannot have been a full-time student in the last six months.

Section 3.1.2.2. Regular, Full-Time Income

For households that have regular, full-time income, a year-to-date projection will be used. Affordable Homebuyer Program staff will review all recent income and asset documentation and will project income for a year based on recent pay stubs, bank statements, or a Verification of Employment provided by the employer. If any member of the household receives commissions, overtime, or other benefits, those will also be annualized and included in the calculation.

This projection will be completed according to the regularity of the income, as shown in **Table 3.1-1**. Affordable Homebuyer Program staff may use any of these calculations if they are applicable to the household. In some cases, income must be calculated multiple ways to ensure households meet income requirements.

Table 3.1-1: Income Calculations by Frequency

Pay Frequency	Annual Base Income Calculation*
Monthly	Monthly income amount x 12
Twice Monthly	Twice monthly income amount x 24
Every Two Weeks	Biweekly income amount x 26
Weekly	Weekly income amount x 52
Hourly	Hourly income x hours worked per week x 52

* Prior to adding annualized commissions, overtime, or other benefits.

Table 3.1-2 shows an example of possible income projections.

Table 3.1-2: Income Calculations for Regular, Full-Time Employees

<p>Example A. The household member’s pay stub indicates the following: \$1,500 income Full time (40 hours per week) Biweekly pay (26 pay periods per year) No overtime YTD Calculation: \$1,500 x 26 pay periods per year = \$39,000 annual salary</p>
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Section 3.1.2.3. Variable Income

If a member of the household has continuing variable income, Affordable Homebuyer Program staff will average the most recent 24 months of income. Gross annual income calculations will be based on the previous two years’ net income shown on Schedule C of the federal income tax returns, plus appropriate documentation of income for the then-current calendar year to date. Year to date income will be divided by the appropriate number of months (not to exceed 12 months) and multiplied by 12 to arrive at an annualized rate of income. For self-employed applicants, calculations will include net income before taxes from a signed, year-to-date Profit and Loss Statement prepared by a certified public accountant, overtime and other benefits, and bank statements. For applicants who are not self-employed, but income varies for other reasons, other documentation of income will be considered, including but not limited to, pay stubs, employment contracts and bank statements. Salary increases and raises are not considered variable income.

Section 3.1.2.4. Self-Employment Income

If a member of the household is self-employed, Affordable Homebuyer Program staff will calculate income by averaging the prior two years’ net income shown on Schedule C of the federal income tax returns, plus net income before taxes from that member’s signed, year-to-date Profit and Loss Statement prepared by a certified public accountant. Income is then divided by the appropriate number of months (not to exceed 12 months) and multiplied by 12 to arrive at the annual income.

If a household member is a full or partial owner of an incorporated business, the City reserves the right to request additional documentation regarding the finances of the business, if needed, to accurately assess the household's income.

If self-employed in Union City, the business must have a current City of Union City business license.

Section 3.2. Household Assets

In some cases, liquid assets will be included in income calculations. A household with assets that exceed \$30,000 will have the following amounts added to their total household income:

- a) 10% of assets between \$30,001 and \$130,000
- b) 30% of assets over \$130,000

The maximum amount of allowable assets is \$250,000.

In determining whether the household's assets are within the asset limits, staff will average each account's balance from the prior six monthly statements for each monetary asset (e.g., bank, credit union, non-retirement investment account statements) to determine the current value of each asset. Non-monetary assets (e.g., stock options, mobile homes, commercial real estate) will be valued based on a current valuation (not less than 90 days old) to be provided by a qualified third-party appraiser or estimator, which must be included in the applicant's program application. The household's current total combined household assets, both on the application date (most recent monthly statements/valuations in application) and using the average balance over the preceding six months, must be within these asset limits.

The City reserves the right to request additional documentation, if needed, to accurately assess the value of assets.

Section 3.2.1. Assets Inclusions and Exclusions

Section 3.2.1.1 Asset Inclusions

- a) Cash held by program applicants in savings accounts, checking accounts, safe deposit boxes, homes, etc. Includes all custodial accounts held for minors. For savings accounts, the current balance is used. For checking accounts, the average six-month balance is used.
- b) Cash value of revocable trusts available to the applicant.
- c) Cash value of stocks, bonds, treasury bills, certificates of deposit, and money market accounts.
- d) Cash value of life insurance policies available to the individual before death (e.g., surrender value of a whole life or universal life policy).
- e) Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.

- f) Lump sum or one-time receipts, such as inheritances, capital gains, lottery winnings, victim's restitution, insurance settlements, gifts, and other amounts not intended as periodic payments.
- g) Mortgages or deeds of trust held by an applicant.
- h) Boats and planes; motor homes intended for primary residential use.
- i) Equity in cooperatives.

Section 3.2.1.2 Asset Exclusions

- a) Necessary personal property (except as noted in Asset Inclusions), such as clothing, furniture, cars, and vehicles specially equipped for persons with disabilities.
- b) Interest in Indian trust lands.
- c) Assets not effectively owned by the applicant. That is, when assets are held in an individual's name, but the assets and any income they earn accrue to the benefit of someone else who is not a member of the household and that other person is responsible for income taxes incurred on income generated by the asset.
- d) Assets not accessible to and that provide no income for the applicant, e.g., a battered spouse who owns a house with her husband but, because of the domestic situation, receives no income from the asset and cannot convert the asset to cash.
- e) Term life insurance policies (i.e., where there is no cash value).
- f) Assets that are part of an active business including business equipment and vehicles.
- g) Assets in IRS-recognized retirement accounts (IRAs, 401(k)s, 403(b)s, etc.), and future/potential pension benefits or insurance proceeds held in accounts not currently owned and controlled by the applicant or co-applicant(s). (However, amounts must be listed on application, and documentation provided, as described on the application.)
- h) 529 plan college savings accounts.
- i) The funds that will be used toward the down payment on the home.

Section 3.3. First-Time Homebuyer (FTHB)

Applicants must be first-time homebuyers. A first-time homebuyer is defined as the following:

Individuals that have not owned a residential property during the three-year period before applying for participation in the Affordable Homebuyer Program, regardless of whether or not the individual's interest in such property results in a financial gain, such property is in another state or country, or the member has occupied such property as his or her primary residence. Exceptions to this definition include:

- a) An individual who owned a home with a former spouse during their marriage.
- b) An individual who has owned a principal residence that was not permanently affixed to a permanent foundation, according to applicable regulations.
- c) An individual who has owned a property that was not in compliance with state or local building codes and which cannot be brought into compliance for less than the cost of constructing a permanent structure.

Section 3.4. Homebuyer Education Workshop

The applicant must complete an eight-hour, HUD-approved Homebuyer Education Workshop and submit a certificate of completion for the workshop to the City. The workshop is not required to be completed prior to submitting an application; however, it is required to be completed within the six months prior to the close of escrow. The workshop covers such topics as the loan application process, closing costs and escrow fees, recurring housing expenses, refinancing, budgeting, responsibilities of homeownership, home maintenance, and the importance of maintaining good credit.

Section 3.5. Household Composition, Size, and Occupancy

A household is defined as all persons (minors and adults) who occupy the BMR home as their primary residence at least ten months of the calendar year. Household members who are minors and full-time college students who are claimed as a dependent by another household member on the most recent federal income tax return are exempt from the requirement of making the home their primary place of residence at least ten months of the calendar year. A minor is only counted as a household member if an adult member of the household has at least 50 percent legal custody of that minor. Pregnant applicants are counted as two members of a household upon submittal of medical documentation.

All adult household members must be included on the City's application, the mortgage, the title and the agreements with the City for the BMR home. This includes both members of couples that are engaged, married, or domestic partners. An exception may be granted by Affordable Homebuyer Program staff in certain circumstances, and with satisfactory, valid third-party documentation.

The following types of persons are not counted as household members for the purposes of qualifying for the program and calculating income: foster children, children being pursued for legal custody or adoption who are not currently living in the household, and live-in aides.

All household members must be co-habiting at least six months prior to close of escrow. Exceptions include spouse, domestic partner, minor with at least 50 percent legal custody, and engaged couples. The City reserves the right to request valid third-party documentation, as needed, to document co-habitation or relationship status.

Once the BMR home is purchased, all members of the household must occupy the BMR home as their primary residence, as defined by living in the home a minimum of ten months out of the year, and must occupy the home within 60 days of the completion of the purchase.

Minimum occupancy is one person or the number of bedrooms, whichever is greater. Maximum occupancy of home is determined as follows: each bedroom may have a maximum of two people; one additional person may live outside of a bedroom within the home. The City’s occupancy limits are applicable, as long as the standards do not violate fair housing requirements and comply with any applicable state and federal laws and regulations. If an application is denied based on the City’s occupancy limits and the applicant thinks that the limits are unreasonable, then the applicant may submit a request for an appeal, per the Appeals Process described in Section 6, Appeals. For example, when applying these standards to purchase a three-bedroom home, there must be a minimum of three people in the household and a maximum of seven. **Table 3.5-1** lists occupancy limits by home type.

Table 3.5-1: Occupancy Limits by Home Type

Home Type	Minimum Occupancy/Maximum Occupancy
Studio	1 Person Minimum/2 Person Maximum
1 Bedroom	1 Person Minimum/3 People Maximum
2 Bedrooms	2 Person Minimum/5 People Maximum
3 Bedrooms	3 People Minimum/7 People Maximum
4 Bedrooms	4 People Minimum/9 People Maximum

Section 3.6. Legal Resident

All applicants must be citizens or nationals of the United States, or qualified permanent residents. The Federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 provides more details as to the description of a qualified legal resident.

Section 3.7. Financing Requirements for Buyer(s)

Section 3.7.1. Credit Score

All adult applicants must be able to demonstrate sufficient creditworthiness. This includes:

- a) Having at least two years of clean credit following a bankruptcy or foreclosure.
- b) A minimum FICO credit rating of 660.
- c) A lower credit score can be considered following review from the Economic Development and Housing Division Director or his/her designee.

Section 3.7.2. Front-End and Back-End Debt-to-Income Ratios

The “front-end” ratio is the proportion of monthly housing costs as a percentage of monthly income. Monthly housing costs include mortgage (principal and interest), private mortgage insurance (if applicable), hazard insurance, property taxes, condominium fees or dues, and utilities.

The applicant’s total or “back-end” debt-to-income ratio is the proportion of monthly housing costs plus all other monthly debt payments (e.g. student loans, car payments, credit cards) as a percentage of total monthly household income and may not exceed the limits in **Table 3.7-2**.

Table 3.7-2: Maximum Qualifying Debt Ratios

Income Level of Applicant (not the income level that the home is reserved for)	Monthly Housing Cost (Front-End Ratio)	Total Monthly Debt (Back-End Ratio)
Very Low	30%	35%
Low	35%	40%
Median	37.5%	42.5%
Moderate	40%	45%

The qualifying debt ratios applied to a particular applicant will be based on the applicant’s household income category, not the maximum allowable income category for the BMR home. For example, a low-income household purchasing a BMR sold at a moderate-income price must have a front-end ratio of no more than 35 percent.

Depending on the overall strength of the application (as evidenced by credit scores, down payment amounts, and/or other factors), the Economic Development and Housing Division Director or his/her designee has the option of increasing the back-end ratio by up to 3 percent.

If the applicant’s back-end ratio is at the maximum limit for the applicant’s income level, Affordable Homebuyer Program staff will evaluate if the applicant may be subject to “rent shock” (i.e., new housing costs will increase by 100 percent or more over current housing costs). If the applicant is both at the maximum limit for a back-end ratio and would be subject to rent shock as a result of the purchase of the BMR home, then the Economic Development and Housing Division Director or his/her designee has the option of declining the application.

Section 3.7.3. Down Payment

The applicant must be able to make at least a 3 percent down payment from the borrower’s own funds.

The applicant’s down payment funds must be held in an account in the applicant’s name for at least six months prior to submitting this application.

Funds used for the 3 percent down payment may not be used toward closing costs. The buyer is responsible for paying any applicable closing costs; however, gift funds may be used for closing costs.

Section 3.7.4. Gift Funds

The applicant may use gift funds in an amount where the applicant’s down payment plus the gift funds do not exceed 20 percent of the purchase price. Gift funds may not be used for the 3 percent down payment requirement. All gift funds must be documented in the Affordable Homebuyer Program

application using a form of “gift letter” provided by the City. All signatures on the gift letter must be notarized. The gift letter includes:

- a) The amount of money being provided.
- b) The relationship of the gifter to the applicant.
- c) Statement, under penalty of perjury, that the applicant is not required nor expected to repay the funds, nor is the gifter to hold title for the property, in whole or in part, upon the close of escrow or in the future.
- d) Attached to the letter, the applicant must provide documentation of the funds to be gifted (e.g., most current account statement).

Section 3.7.5. Senior Financing

Buyers are strongly encouraged to use a lender that has been prequalified through one of the programs administered by the Alameda County Housing and Community Development Department. It is recommended that buyers apply for the Mortgage Credit Certificate (MCC) Program because it offers a reduction in federal income tax for income-eligible first-time homebuyers. The MCC Program is one of the programs administered by the Alameda County Housing and Community Development Department.

Loans from private investors are not allowed. In the event that Alameda County no longer administers the MCC Program, buyers can check with the California Housing Finance Agency (CalHFA) to see how to access the MCC program.

All adult members of the household must appear on the loan. The Economic Development and Housing Division Director may grant exemptions at their discretion, if warranted. Examples of reasons for an exception include:

- a) A disabled person or elderly adult who is not capable of managing bills. Another member of the household must have power of attorney for this individual.
- b) Legal dependents of titleholders as claimed on the most recent federal income tax return. Spouses or domestic partners are not considered dependents.
- c) Household members younger than the age of 24 who are the natural or adopted child of a titleholder, who will reside in the BMR home as their primary residence, regardless of being named as a dependent on the federal tax form of the titleholder.

The first mortgage used by the applicant(s) must be for no more than a 30-year term (shorter terms are acceptable). Loans must also be fixed-rate and fully amortizing.

Balloon payments, negative amortization, adjustable and/or non-prime interest rate loans, prepayment penalties, and stated-income loans are prohibited. The City, in its sole discretion, may identify other prohibited loan characteristics.

Co-signing for a loan by non-BMR household member is prohibited. During ownership, mortgage payments provided by non-BMR household members are prohibited. Temporary exceptions to this may be allowed at the City's discretion for situations such as a medical emergency or a job layoff.

Section 3.7.6. Junior Financing and Additional Liens

Buyers may be able to use down payment assistance loans or grants in the purchase of a BMR home, with the following conditions:

- a) The requirements listed above regarding down payment, gift funds, and senior financing still apply.
- b) The City's Resale Restriction Agreement and Deed of Trust and Security Agreement must be recorded in a position which is senior to any Deeds of Trust or other security instruments for any down payment assistance loans or grants.
- c) The City reserves the right to reject down payment assistance products if the City believes in its sole discretion that there is a stronger likelihood that the down payment assistance product would potentially result in loss of the BMR home due to the purchasers' inability to comply with the terms of the assistance.

The BMR owner must not incur any additional liens incurred through taxes, alimony, or child support (and others) that are placed on the property. Home equity lines of credit and home equity loans are not allowed on a BMR home. Owners who use such programs without approval from the City of Union City will be in default of the Resale Restriction Agreement. The default must be cured by a removal of the unauthorized line of credit/loan or the City will invoke any remedies available to it. See also, Section 5.6, Refinancing and Additional Liens.

Section 3.7.7. Loan to Value Limits

Housing mortgage assistance loans must not have a loan to value ratio that exceeds 98 percent of the sales price.

Section 3.7.8. All Cash Sale

In the event of an all cash sale, the following conditions must be met:

- a) Gift funds may not be used in an all cash sale.
- b) The buyer's remaining housing costs as related to their applicable household income level must not exceed the maximum qualifying debt ratios as described in Section 3.7.2, Front-End and Back-End Debt-to-Income Ratios.
- c) The buyer's household income cannot exceed the maximum allowable income for the BMR home.
- d) Cash assets being used to purchase the BMR home will be excluded from the maximum asset limit calculation.

Section 3.8. Purchase-Ready

As stated in the definitions, purchase-ready means able to qualify for adequate financing to purchase a BMR home; able to provide the minimum down payment, plus closing costs (while retaining adequate asset reserves to cover a minimum of two months of housing expenses); and completion of a HUD-certified homebuyer course. Applicants with recent foreclosures, bankruptcies, credit scores below 660, or inadequate down payment funds do not qualify as purchase-ready.

The buyer(s) must have in their bank account sufficient cash reserves to cover a minimum of two months of housing expenses (in the amount estimated on the loan application). These funds cannot be used toward the purchase of the home.

All adult members of the household must be available to sign title documents and Disclosures and Declarations forms in person.

Section 3.9. Disclosures and Declarations Forms

Under penalty of perjury, all applicant(s) must submit signed Disclosures and Declarations forms. Blank forms are provided with the application packet. In completing these forms, the applicant(s) must:

- a) Identify the household size at the time of the application.
- b) Agree to follow the owner occupancy requirements, including compliance with periodic monitoring.
- c) Indicate their understanding that BMR homes are not allowed to accrue in value in the way that homes in the unrestricted market can.
- d) Indicate their understanding of the requirements for obtaining City approval of a refinanced primary mortgage.

SECTION 4. PROCEDURES AND REQUIREMENTS FOR REALES AND TRANSFERS

Section 4 is organized as follows:

Section 4.1. Resale Process Overview

Section 4.2. Maximum Resale Price Calculation

Section 4.2.1. Housing Affordability Table Method

Section 4.2.2. Increase in Area Median Income (AMI) Method

Section 4.3. Inspections

Section 4.3.1. Pest Inspection

Section 4.3.2. Painting

Section 4.3.3. Post-Purchase Repairs

Section 4.4. Listing Agreements and Purchase Contracts

Section 4.5. Marketing and Buyer Selection

Section 4.6. Applications

Section 4.7. Short Sale

Section 4.8. Title Transfers

Section 4.8.1. Removal of an Owner from Title, While Another Owner Remains

Section 4.8.2. Adding an Owner to Title

Section 4.8.3. Transfer by Inheritance

Section 4.9. Title Documents

Section 4.9.1. Resale Restriction Agreement

Section 4.9.2. Deed of Trust and Security Agreement

Section 4.9.3. Notice of Affordability

Section 4.9.4. Promissory Note

Section 4.1. Resale Process Overview

Sales of BMR homes have a few extra steps in the process, compared with typical sales of market-rate homes. These added steps mean that longer timelines can be expected. Escrow periods of 60–90 days are common. In rarer instances, transactions take longer—for example, if an initial buyer does not qualify or cannot finalize their funding. The City has the first option to purchase the home, at a restricted price, when the owner notifies the City that they would like to sell. However, ordinarily the City does not

exercise its option to purchase and allows the owner to sell the home to a qualified buyer at a restricted price.

A broad overview of the steps in the BMR resale process follows.

- a) **Notice of Intent to Transfer (NOIT)** – A current owner decides that they are ready to sell their home and submits a NOIT form to the City. This form can be submitted to via email, mail, or in person.
- b) **Pest Inspection** – The seller ensures that a pest control inspection is completed within 30 days of submitting a NOIT and submits the inspection report to the City. The pest control inspection must be conducted by a licensed structural pest control operator. If the inspection report identifies any repairs that need to be made, the seller is responsible for completing those repairs within 60 days of submitting the NOIT.
- c) **City Inspection** – Affordable Homebuyer Program staff inspect the home and coordinate with the seller to ensure that the home will be sold in good condition. This inspection will occur within the 30 days between the NOIT and City’s response letter.
- d) **City’s Response Letter** – Within 30 days after the NOIT is received by the City, the City will provide the seller with a response letter. It will include the maximum resale price, initial inspection report, listing requirements, marketing guidelines, and eligible buyer requirements. In the unlikely instance that the City chooses to exercise its option to purchase, it will be stated in this letter. Instead of information about selling the home to an eligible buyer, the letter will describe the process for the City’s purchase of the home.
- e) **Owner Acknowledgment** – Within 7 days of receipt of the City’s response letter, the seller must acknowledge in writing, that they received the City’s response and that they still intend to sell the home.
- f) **Retain Realtor** – After the seller has received the City’s response, they may retain a realtor.
- g) **Listing Agreement** – The seller’s realtor will provide Affordable Homebuyer Program staff with the listing agreement.
- h) **Conference Call Prior to Listing** – Affordable Homebuyer Program staff will schedule a conference call with the seller and their selected realtor prior to placing the unit on MLS. The purpose of this conference call is to discuss strategies for fielding inquiries, showing the home, pre-screening interested buyers, and accepting offers.
- i) **Marketing** – The seller and their real estate agent make the home available for open houses and showings by appointment. The transaction should be an “Arm’s Length Transaction,” meaning that the public has an equal opportunity to view the for-sale home and submit an offer, and the selected offer shall not be based on a preexisting relationship.

- j) **Offers** – Prospective buyers work with their real estate agent to submit an offer to the seller’s real estate agent.
- k) **Buyer Selection and Purchase Contract** – The seller applies preference points for living and/or working in Union City, in accordance with these guidelines and selects one buyer’s offer. The maximum resale price is set to affordable levels so there is no bidding war. Both parties enter into a purchase contract.
- l) **Application Intake and Eligibility Review** – Affordable Homebuyer Program staff review the purchase contract and contact the prospective buyer to schedule an application intake appointment. Affordable Homebuyer Program staff will evaluate the application while the buyer and seller are in escrow.
- m) **Final City Inspection** – The City’s consultant will conduct a final inspection after the home is vacated but BEFORE the close of escrow to ensure all the listed repairs and cleaning items in the inspection report were completed.
- n) **Close of Escrow** – Once the buyer has been approved, Affordable Homebuyer Program staff finalize documents required for the transaction. These documents will be provided to the title company for the buyer to sign at the close of escrow, along with the other documents associated with the transaction.

Section 4.2. Maximum Resale Price Calculation

The maximum allowable sales prices for BMR homes are set by the City at the time the home is placed on the market. For BMR resales, the sales price is set in accordance with the terms in the Resale Restriction Agreement recorded on the property during the previous purchase. The sale price of comparable market-rate homes or even comparable BMR homes has no bearing on the resale price of a particular BMR home. The prices of BMR homes are determined solely by application of the methods described in these guidelines. The maximum resale price for a home will be no less than the dollar amount (not adjusted for inflation) initially paid by the buyer (hold harmless pricing). With permission from the City, where applicable, the sale price may be adjusted downward to compensate for certain repairs which the buyer will complete after purchase. See Section 4.3.3, Post-Purchase Repairs, for more information.

There are two different resale price calculation methods. The Resale Restriction Agreements specify which method is used for a particular property. The two methods can be referred to as:

- a) Housing Affordability Table
- b) Increase in Area Median Income

Section 4.2.1. Housing Affordability Table Method

For the majority of resales, the maximum sales price will be determined based upon the most current Housing Affordability Table. A maximum resale price will be considered affordable if the expected

monthly mortgage amount, when combined with other anticipated monthly housing expenses meets the following criteria:

- a) For Low-Income Units (allowed income up to 80% of Area Median Income), the maximum sales price is determined based on a total monthly housing payment equivalent to one-twelfth of 30% of 70% of the AMI for Alameda County.
- b) For Median-Income Units (allowed income up to 100% of Area Median Income), the maximum sales price is determined based on a total monthly housing payment equivalent to one-twelfth of 35% of 90% of the AMI for Alameda County.
- c) For Moderate-Income Units (allowed income up to of 120% of Area Median Income), the maximum sales price is determined based on a total monthly housing payment equivalent to one-twelfth of 35% of 110% of the AMI for Alameda County.

The maximum sales price calculation is based on several factors, including the number of bedrooms in the home, applicable state of California Income Limits for Alameda County in effect at the time the home is put on the market, homeowners associations dues, and assumptions regarding mortgage interest rates, down payment, property taxes, utilities, maintenance, insurance, and private mortgage insurance (PMI) (if applicable). Staff uses the 10-year average of the Fannie Mae 30-year interest rate.

The process for calculating the maximum sales price has three main steps:

- a) First, the household size that is assumed for the home type is identified, as shown in **Table 4.2-1**. Next, the maximum AMI for the assumed household size at the income level that the home is reserved for is identified with the State of California Income Limits for Alameda County in effect at the time. Once this amount has been determined, it is used to calculate the maximum total monthly housing payment that would be considered affordable, in accordance with the percentages described above, in items a, b, and c. This maximum total monthly housing payment includes the costs of the mortgage payment (principal and interest), HOA dues, property taxes, utilities, homeowner's insurance and private mortgage insurance (if applicable).
- b) The formula tallies all the housing expenses except the amount of the mortgage payment. Then the formula takes the amount the household can affordably spend on their housing expenses (item a above) and subtracts all the other estimated housing expenses. The result is the maximum amount that the monthly mortgage payment must be, to be considered affordable to a household at the designated income level.
- c) To translate the maximum monthly mortgage payment amount into the maximum sale price, the calculation uses a Present Value formula, which is a financial formula that calculates the present value of a loan based on a constant interest rate and a set monthly payment.

As shown in **Table 4.2-1**, the assumed household size that is used in the maximum sales price calculation is based on number of bedrooms. (For minimum and maximum occupancy, see **Table 3.5-1**.)

Table 4.2-1: Home Type and Household Size

Home Type	Assumed Household Size
Studio	1
1 Bedroom	2
2 Bedrooms	3
3 Bedrooms	4
4 Bedrooms	5

Section 4.2.2. Increase in Area Median Income (AMI) Method

For some BMR homes, the resale price is calculated by using the percentage increase in AMI for a four-person, moderate-income household in Alameda County between the last time the home was sold and a proposed, subsequent resale. The AMI prevailing on the day the seller and buyer finalize the purchase price will be compared to the AMI available on the day the Affordable Homebuyer Program receives notification that a seller intends to sell the property.

Section 4.3. Inspections

Upon notification of resale, the City will inspect the home to ensure the home is in good repair, free of code violations, and clean. The seller is obligated to put the home into a “sellable condition” and they are responsible for all repairs identified in the City’s inspection report and the pest inspection report. All appliances, finishes, and fixtures must be fully operable and free of defects or any damage. No homes may be sold as-is. Ordinary wear and tear are not excepted. All original features of the home should be retained. If an item needs replacing it will be at the owner’s expense. In replacing any items, similar or better quality should be selected. All original components (and any replacement items) must be included in a subsequent resale. Any work that was permitted becomes a permanent part of the home.

In some cases, at his/her sole discretion the Economic Development and Housing Division Director may allow the buyer (if desired by the buyer) to undertake some repairs identified by the City as part of its pre-close inspection (see Section 4.3.3, Post-Purchase Repairs).

This inspection is for purposes of the Affordable Homebuyer Program only and is not to be used in lieu of a home purchase inspection by the new buyer. The City is not liable for condition or defects. This BMR inspection will not evaluate mechanical, electrical, or plumbing systems.

There are generally two inspections: (1) an initial inspection, where any repairs or issues are identified, and (2) a final inspection where the repairs are evaluated.

While the initial inspection can occur when the home is still occupied, the second inspection must occur after the home is vacated but before the close of escrow. However, if items are found in the second inspection that were not present or found in the prior inspection (e.g., a dent in the wall was obscured by an art piece) those items must be addressed, repaired, and reinspected before the City will allow the

seller to pass the inspection and approve the close of escrow. A seller's real estate agent must attend the second inspection; however, the seller(s) do not have to be there.

There is no fee for these first two required inspections. A fee will be charged for any additional inspections.

Section 4.3.1. Pest Inspection

The seller must have a pest control inspection completed within 30 days of submitting a NOIT and must submit the pest inspection report to the City. The pest control inspection must be conducted by a licensed structural pest control operator. If the inspection report identifies any repairs that need to be made, the seller is responsible for completing those repairs within 60 days of submitting the NOIT.

Section 4.3.2. Painting

Affordable Homebuyer Program staff may approve painting of the home by the buyer. However, the seller must clean and prepare all paintable surfaces such that they are ready to accept paint. Prior to the close of escrow, the following must be completed:

- a) The prepared surfaces must be inspected and approved by the City.
- b) The buyer must submit a signed letter to the City acknowledging that he/she will paint the home at his/her own cost after the close of escrow.

Section 4.3.3. Post-Purchase Repairs

Not including painting of the home as addressed in the prior section, at his/her sole discretion the Economic Development and Housing Division Director may allow the buyer (if desired by the buyer) to undertake some repairs identified by the City as part of its pre-close inspection after the close of escrow. Allowable types of work include repairs to address violations of applicable building, plumbing, electric, fire or housing codes or any other provisions of the Union City Building Code, as well as any other repairs needed to put the Home into a "sellable condition." To allow the seller to transfer this obligation to the buyer, the following must occur prior to the close of escrow:

- a) The seller must obtain at least two bids from a licensed, bonded contractor to complete the needed repairs.
- b) The buyer and seller must agree in writing to reduce the original contract price by the amount of the highest bid and submit evidence of that agreement to the City.
- c) The buyer must submit a signed letter to City Affordable Homebuyer Program staff acknowledging that they will complete the repair, accepting full responsibility (including additional costs above and beyond the initial estimate) for implementing the repair to the satisfaction of the City, and allowing the City to inspect the completed repair 30 days after the close of escrow.

If the seller has added features such as shelving, custom wallpaper treatments, or other unique items which were not part of the original sale, the buyer will be given the option of having them removed by the seller prior to purchase. If the buyer does not want the item(s), it will be the responsibility of the seller to remove them and repair any associated damage. If the buyer wants the item(s) retained, they will submit a signed letter to the Affordable Homebuyer Program stating this preference and accepting responsibility for the removal and any associated damage if the subsequent buyer does not want it.

Section 4.4. Listing Agreements and Purchase Contracts

The following requirements apply to listing agreements and purchase contracts:

- a) Listing agreement identifies the name of the Multiple Listing Service (MLS) that the home will be listed with.
- b) Listing agreement states that the home is an affordable home.
- c) No as-is sales.
- d) Buyers and sellers must use a licensed real estate agent and cannot represent themselves, even if they are a licensed real estate agent.
- e) The buyer and seller must have separate representation, although two different agents from the same brokerage is allowed.
- f) The seller's agent and the buyer's agent shall each be paid a commission in the amount of 3 percent of the sale price (6 percent total, split equally).
- g) All appliances included with the original sale must be included in the resale.
- h) Includes the usual closing costs distributed between buyer and seller for the area and the City's BMR resale fee:
 1. Seller pays for real estate agent commissions, hazard report, County transfer tax, HOA document preparation fee (if applicable), City's seller processing fee, and additional inspection fees (if applicable).
 2. Buyer pays for escrow fee, owner's title policy, HOA transfer fee (if applicable), and City's buyer processing fee.
 3. BMR homes are exempt from the City transfer tax.
- i) Seller "rent-back" agreements are not allowed.

Section 4.5. Marketing and Buyer Selection

For BMR resales, this section lists the minimum elements that the City requires by a seller and their real estate agent as a good faith effort to market the BMR home effectively and successfully sell within the prescribed time frames of the Resale Restriction Agreement:

- a) Inclusion of the following information in advertisements for the homes on MLS and other internet real estate listing sites:
 1. Notice that the home is a BMR home.
 2. The maximum income limits for the buyer.
 3. The sales price.
 4. The number of bedrooms in the home.
 5. Square footage and the date that offers will be opened/reviewed.
- b) The BMR homeowner and agent shall make the home available for showings including a broker's open house, weekend open houses, and individual showings with interested buyers and agents representing interested buyers. A minimum of two open houses, held at least one week apart is required. The City has the discretion to require additional open houses, if needed.
- c) Interested buyers, real estate agents and lenders must be provided with these program guidelines.
- d) The transaction should be an Arm's Length Transaction, meaning that the public has an equal opportunity to view the for-sale home and submit an offer, and the selected offer shall not be based on a preexisting relationship.
- e) Offers must be accepted for a minimum duration of three weeks, or longer at the discretion of the City.

To prove that the property has been adequately marketed, the listing agent must retain the following records, which the City reserves the right to request:

- a) Proof of the open house(s), such as a copy of the page of the newspaper that the ad was printed in, or screenshots/PDFs of digital announcements.
- b) A screenshot or PDF of the MLS listing clearly showing the date that the offers were to be opened/reviewed.
- c) If available, evidence that the date the offers were to be opened/reviewed was posted at the open house.
- d) A completed table in the following format (add additional columns as needed):

Table 4.5-1: Required Offer Information

Offer Number	1	2	3	4
Date and time offer received				
Offer amount				
Loan amount				
Down payment amount				
Offerors' names (all adult members of each household)				
Total number of persons in household				
Total combined gross household income of all adult members (as reported by the prospective buyer)				
Prospective buyer lives in Union City? (y/n)				
Prospective buyer works in Union City? (y/n)				
Prospective buyer has reviewed the program guidelines, and according to them, all adult members of the household meet each requirement (y/n)				

The seller should select a buyer that is most likely to pass the City's application review. To do so, the seller and seller's agent should be sufficiently familiar with the eligibility requirements of the program. The seller is required to apply the preference criteria in the selection of the buyer, as described in the City's inclusionary ordinance, which is:

1. First priority: persons who have been displaced by the proposed project;
2. Second priority: persons who live or work in the City of Union City
3. Third priority: all other eligible persons

It is important to note that it is in the best interest of the seller and the seller's agent to have backup offers on hand, in case the initial buyer is unable to qualify.

Section 4.6. Applications

The City does not accept any applications until a buyer and seller have entered into purchase contract. Affordable Homebuyer Program staff will contact the prospective buyer to schedule an appointment to submit their application in person. All adult members of the household must be included on the application and must attend the application intake appointment. At this appointment, staff will review the application package for completeness. The City reserves the right to request additional documentation, if needed, to make an eligibility determination. Applications will not be considered complete until all documentation has been submitted to the satisfaction of staff.

Section 4.7. Short Sale

BMR homes that received loan assistance from the City will be governed by the most restrictive applicable program guidelines related to the associated loan type(s).

For BMR homes that have not received loan assistance from the City, the City will consent to a short sale request, provided that the short sale price does not exceed the maximum sales price allowed under the Affordable Homebuyer Program and the buyer will be required to record a Deed of Trust and Security Agreement on the property related to the Resale Restriction Agreement as a condition of the close of escrow to purchase the property.

In the event of a short sale:

- a) The seller must list the property for no less than the maximum resale price. The maximum resale price for a home will be no less than the dollar amount (not adjusted for inflation) initially paid by the buyer (hold harmless pricing).
- b) Real estate agent commissions must be reduced to 2.5 percent for each agent for the buyer and seller.
- c) At the discretion of Affordable Homebuyer Program staff, the seller may be allowed to recoup the value (not inflation adjusted) of their initial down payment, to be paid from the proceeds of the sale. This amount shall be limited to 3 percent of the initial purchase price.

Sellers are advised to consult with a tax expert on the implications of selling a home in a short sale.

Section 4.8. Title Transfers

This section pertains to transfers of ownership other than the traditional resale process, which is covered earlier in this section. For the types of transfers described below in Section 4.8.1, Removal of an Owner from Title, While Another Owner Remains, and Section 4.8.2, Adding and Owner to Title, the term of the restrictions does not reset to another 45 years, unless stated otherwise in an applicable Resale Restriction Agreement. For the types of transfers described below in Section 4.8.3, Transfer by Inheritance, the term of the restrictions does reset to another 45 years, unless stated otherwise in an Applicable Resale Restriction Agreement.

BMR homeowners must request prior permission to make changes to title in writing and are responsible for obtaining written approval from Affordable Homebuyer Program staff, prior to making any changes to the title of the home. This includes placing the home into an inter vivos trust in which owner is a beneficiary. Affordable Homebuyer Program staff reserve the right to review and request revisions to the provisions of any trust agreement. In the event of the death of an owner, the City should be notified promptly. BMR homeowners are responsible for all costs associated with adding or removing a person to or from the title.

Section 4.8.1. Removal of an Owner from Title, While Another Owner Remains

In the case of a divorce, dissolution of domestic partnership, or other reason whereby at least one member of the household wishes to move out while at least one member of the household wishes to remain living in the home, the following guidelines apply:

- a) The owners should inform Affordable Homebuyer Program staff of this situation, in writing, as soon as possible.
- b) Affordable Homebuyer Program staff will inform the notifying party about their options for maintaining, transferring, or selling the home in compliance with program guidelines.
- c) Any household member who has no longer made the home their primary residence at least ten months of the calendar year must immediately notify Affordable Homebuyer Program staff.
- d) If court proceedings are imminent or ongoing, the City reserves the right to delay action regarding the transferring of title documents until such matters have been resolved.

For some title transfers, the process will be similar to a traditional resale. For example, in a case such as where a married couple is divorcing and one of them will be keeping the home, escrow will be used and a title company will handle the documents. The “seller” will be both parties and the “buyer” will be the person who is keeping the home.

In the case of a death of an owner, while another owner still lives in the home, the surviving owner should inform Affordable Homebuyer Program staff of this situation, in writing, as soon as possible. Affordable Homebuyer Program staff may have the surviving owner execute an assumption agreement.

Section 4.8.2. Adding an Owner to Title

If a BMR owner marries or enters into a domestic partnership after purchasing the BMR home, the spouse or domestic partner may become a co-owner. An owner intending to add a spouse or domestic partner as a co-owner must present his or her marriage certificate or domestic partnership registration to the Affordable Homebuyer Program for review. The proposed co-owner shall execute an addendum or assumption agreement to City documents related to the BMR home by which the co-owner shall assume the same rights and responsibilities with respect to those documents as the owner. Adding a person as owner to the title, other than a new spouse or domestic partner is prohibited, unless permission is granted in writing from the Affordable Homebuyer Program.

Section 4.8.3. Transfer by Inheritance

In the event a transfer occurs by devise or inheritance due to death of an owner, the City must be notified of the death promptly. Only owners’ spouses, natural or adopted children, stepchildren, parents, or stepparents are allowed to retain the home upon inheritance. Verification of the inheriting owner’s relation to the deceased owner must be provided by the inheriting owner. Inheriting owners who are allowed to retain the home upon inheritance must execute a new set of documents, including those described below in Section 4.9, Title Documents. The term of the restrictions will reset to another

45 years. If the inheriting owner is not a spouse, natural or adopted child, stepchild, parent, or stepparent of the deceased owner, they will be required to transfer the home to an eligible purchaser, for no more than the maximum resale price. Inheriting owners are entitled to the deceased owner's equity upon sale of the home.

Section 4.9. Title Documents

For BMR resales and title transfers, Affordable Homebuyer Program staff will provide the title company handling the transaction with the documents needed to remove the City's liens against the property for the seller, as well as the documents described below for the buyer.

All adult members of the household must appear as owner on these title documents. The Economic Development and Housing Division Director may grant exemptions at their discretion, if warranted. Examples of reasons for an exception include:

- a) A disabled person or elderly adult who is not capable of making major decisions for themselves. Another member of the household must have power of attorney for this individual.
- b) Legal dependents of titleholders as claimed on the most recent federal income tax return. Spouses or domestic partners are not considered dependents.
- c) Household members younger than the age of 24 who are the natural or adopted child of a titleholder, who will reside in the BMR home as their primary residence, regardless of being named as a dependent on the federal tax form of the titleholder.

During the close of escrow, the buyer will sign and have recorded by the title company a Resale Restriction Agreement, Deed of Trust and Security Agreement, and Notice of Affordability. Buyers will also sign a Promissory Note, which does not get recorded. Buyers will be provided with templates of these documents in advance of close of escrow so that they have ample time to review them and request any necessary clarification. The documents are summarized below. Refer to each document for the complete set of requirements that each document obligates of the parties who sign them:

Section 4.9.1. Resale Restriction Agreement

A 45-year deed restriction will be recorded on the property in the form of a Resale Restriction Agreement as a condition for the close of escrow. Each time a BMR home is resold, the term of the restrictions is reset to another 45 years, unless stated otherwise in an applicable Resale Restriction Agreement. This deed restriction requires the following (also see Section 5, Owner Obligations):

- a) The owner must make the home their primary place of residence for a minimum of 10 months of the year and respond to requests for verification of owner occupancy from the City.
- b) The home cannot be rented or leased, in whole or in part (i.e., a room), unless authorized by the Resale Restriction Agreement and approved by the City
- c) The home must be maintained and insured.

- d) Transferring ownership of the home, including by inheritance is restricted. See the Resale Restriction Agreement and these guidelines, Section 4.8, Title Transfers, for details.
- e) When reselling the home, owners must follow the City’s prescribed process, including, but not limited to:
 - 1. The home will be sold for no more than the maximum allowable resale purchase price, as determined by the City.
 - 2. The home must be sold to an income-eligible household, whose income eligibility will be determined by the City after the parties are in contract to purchase the home.
 - 3. Refinancing the primary mortgage and further encumbering the home with debt is restricted. See the Resale Restriction Agreement and these guidelines, Section 5.6, Refinancing and Additional Liens, for details.

Section 4.9.2. Deed of Trust and Security Agreement

In addition to the deed restriction, as a condition of the close of escrow to purchase the property, the buyer will be required to record a Deed of Trust and Security Agreement on the property to secure the terms described in the Resale Restriction Agreement and Promissory Note.

Section 4.9.3. Notice of Affordability

Pursuant to Assembly Bill 987, the buyer will be required to record a Notice of Affordability. This document simply notes that the home is a deed-restricted affordable unit.

Section 4.9.4. Promissory Note

As described in the Resale Restriction Agreement, owners must only resell the home at a restricted price and they may not collect any rent, unless authorized by the Resale Restriction Agreement and approved by the City. The Promissory Note requires the owner to pay the City:

- a) Any excess sale proceeds, in the event the home is sold improperly.
- b) Any unauthorized rental proceeds, in the event an owner receives rent money derived from renting or leasing the home, in whole or in part (i.e., a room)

SECTION 5. OWNER OBLIGATIONS

Owners must comply with the requirements listed below, as well as with all terms and conditions in the agreements with the City that buyers sign when they purchase the home (see Section 4.9, Title Documents). Owners must comply with all requirements throughout the term stated in the Resale Restriction Agreement, which is typically 45 years.

Section 5 is organized as follows:

- Section 5.1. Respond to City's Monitoring Letter
- Section 5.2. Owner Occupancy
- Section 5.3. Insurance
- Section 5.4. Homeowner's Exemption
- Section 5.5. Maintenance of Home
- Section 5.6. Refinancing and Additional Liens
- Section 5.7. Title Changes
- Section 5.8. Avoid Defaults and Prevent Foreclosure

Section 5.1. Respond to City's Monitoring Letter

Periodically, the City will mail homeowners a letter requesting documentation to show compliance with the requirements of the program. The letter from the City will include a list of the types of documentation required at that time. This may include a signed and notarized affidavit and valid third-party documentation, such as a property tax statement or utility bill. The City, in its discretion, may request several types of documentation. Failure to respond to the City's requests, after a reasonable number of attempts by the City to obtain this information, may be considered an event of default under the terms of the Resale Restriction Agreement. The City is entitled to charge a fee for administrative time spent attempting to obtain this information. The City is also entitled to charge fees for time spent resolving instances of noncompliance with the requirements of this section.

Section 5.2. Owner Occupancy

The applicant must use the BMR home as their primary place of residence and may not be used as an investment or rental property. The household members must move into the home within 60 days of escrow and it must be owner-occupied for at least ten months of the calendar year.

The City reserves the right to contact HOAs to discuss the owner occupancy status of program participants. The City reserves the right to monitor and inspect the home for owner occupancy and require documentation as deemed necessary by the City.

Renting, leasing, or subleasing of the home, in whole or in part (i.e., a room), for any length of time is prohibited unless authorized by the Resale Restriction Agreement and approved by the City. The City is entitled to any income derived from unauthorized renting of a home.

Section 5.3. Insurance

The owner must obtain and maintain a standard homeowner's insurance policy, with the City named as an additional insured. The owner must ensure that the City receives a copy of evidence of insurance on at least an annual basis.

Section 5.4. Homeowner's Exemption

The owner must continuously claim a homeowner's exemption for property taxes for the BMR home.

Section 5.5. Maintenance of Home

The homeowner is required to maintain the home throughout the ownership period. All appliances shall be in good and working order, the home must be sanitary and free of code violations, as well as in compliance with all the health and safety laws of the City. Ordinary wear and tear are not excepted. See Section 4.3, Inspections, for more information. If an owner experiences any hardships in adhering to maintenance responsibilities associated with the home, they should contact Affordable Homebuyer Program staff as soon as possible. Affordable Homebuyer Program staff will connect owners with resources to assist owners facing such hardships.

Section 5.6. Refinancing and Additional Liens

Owners may refinance their first mortgage loans only with the express written permission of the City and under the following conditions:

- a) The principal amount for the new first mortgage is for an amount equal to, or less than, the current maximum resale price.
- b) The interest rate for the new first mortgage is less than the interest rate on the original first mortgage.
- c) The owner's debt-to-income ratios meet the limits in Section 3.7.2, Front-End and Back-End Debt-to-Income Ratios.
- d) All other conditions for senior financing under Section 3.7, Financing Requirements for Buyer(s), apply.
- e) If a lender requires a Subordination Agreement, contact the Affordable Homebuyer Program for a Subordination Agreement application. The City charges a processing fee for providing Subordination Agreements.

With City approval, owners facing special assessments for HOA costs in excess of funds are allowed to refinance their mortgages to an amount higher than the original loan balance, but not more than

97 percent of the then-current maximum resale price. The City has the discretion to deny the request based on a review of the owner's debt-to-income ratios and other relevant factors.

The BMR owner must not incur any additional liens incurred through taxes, alimony, or child support (and others) that are placed on the property. Home equity lines of credit and home equity loans are not allowed on a BMR home. Owners who use such programs without approval from the City of Union City will be in default of the Resale Restriction Agreement. The default must be cured by a removal of the unauthorized line of credit/loan or the City will invoke any remedies available to it.

Section 5.7. Title Changes

A BMR homeowner cannot make changes to the title on a BMR home without prior written approval from the City. This includes transferring title to any trust, even if the owner(s) are the sole beneficiaries of such trust. In the case of a change in the household makeup, due to either marriage, divorce, legal separation, death, or other occasion that will cause a person to move in or out of the BMR home, BMR homeowners should contact the City to ascertain how to add or remove names from the Resale Restriction Agreement and Deed of Trust and Security Agreement. All requirements in Section 4.8, Title Transfers, apply.

Section 5.8. Avoid Defaults and Prevent Foreclosure

BMR homeowners must make all required payments on their mortgage, taxes, homeowner's insurance, HOA dues and any other liens secured on the property. Declaring bankruptcy or making an assignment of assets for the benefit of creditors is considered a default. Being delinquent and/or incurring liens on the property through the non-payment of the following items could trigger a default under the terms of the City's Resale Restriction Agreement:

- a) Delinquent and/or nonpayment of property insurance, taxes, or HOA fees
- b) Late payments on mortgage obligation(s)
- c) Utility bills
- d) Federal and state tax liens
- e) Construction/contractor liens
- f) Liens from non-payment of child support and/or alimony payments
- g) General judgement liens for non-payment of personal bills or civic-related fines

If a BMR homeowner experiences any hardships in maintaining any financial responsibilities associated with the home, they should contact Affordable Homebuyer Program staff as soon as possible. Affordable Homebuyer Program staff will connect owners with resources to assist owners facing such hardships.

Other instances of default could be triggered by:

- a) Violations of any of the conditions listed in these guidelines, including unauthorized transfer of title, receipt of rental income, an owner's lack of response to the City's request for owner occupancy verification documentation, failure to maintain the home or failure to make the home the owner's primary place of residence.
- b) The City's determination that an owner has made a misrepresentation on their application to purchase the home or in communication with Affordable Homebuyer Program staff regarding compliance with any of the program requirements.

SECTION 6. APPEALS

The appeals process described in this section is applicable to situations such as, but not limited to:

- a) Interested BMR buyers whose applications were denied.
- b) Owners whose request for a subordination were denied.
- c) Other situations where owners were denied a particular request.

The process for requesting an appeal is as follows:

- a) Those seeking an appeal must notify the Affordable Homebuyer Program of their intent to submit a request for appeal within three business days from the date of the denial notification.
- b) Within one week from the date of notification of the intent to request an appeal, those seeking an appeal must submit a letter to the Affordable Homebuyer Program describing the situation. The letter must include a description of the disagreement with the determination and any documentation that will support this statement.
- c) Affordable Homebuyer Program staff will review the request and respond within seven business days from the date of the letter requesting an appeal.
- d) Those seeking an appeal will be notified of the outcome in writing.

The City may charge a fee for processing a request for an appeal.