

# CITY OF BALDWIN PARK

## I. INTRODUCTION

The City of Baldwin Park Neighborhood Stabilization Program (NSP) has been designed to meet the needs of moderate-income families and individuals (hereafter sometimes called the “Borrower”) who wish to purchase and occupy an affordable home under the NSP.

## II. GENERAL ELIGIBILITY REQUIREMENTS

A. Selection of Homebuyer (Please see attached Sales Plan)

B. Maximum Sales Price

The maximum sales price is based on bedroom count of the property, household size and household income. The maximum sales price for each project may vary and will be determined on a case-by-case basis. However, for the property to remain affordable and taking into the consideration of the required 15year covenant, the selected price should not exceed 95% percent of the current market price.

C. Characteristics of the Moderate Income Homebuyer

1. MODERATE INCOME (80% - 120% of median)

Household adjusted gross income shall be no less than 80% and no more than 120% of the median income for that size family as determined by the U.S. Department of Housing and Urban Development. Per State of California HCD, the maximum gross income table for 2010 follows:

Number of Persons in Family/Maximum Gross Income (effective March, 2010) \*

<u>Family Size</u>	<u>Median Income</u>	<u>110%</u>	<u>Moderate Income (120%)</u>
1	\$43,450	\$47,795	\$52,150
2	\$49,700	\$54,670	\$56,900
3	\$55,900	\$61,490	\$67,050
4	\$62,100	\$68,310	\$74,500
5	\$67,050	\$73,755	\$80,450
6	\$72,050	\$79,255	\$86,400
7	\$77,000	\$84,700	\$92,400
8	\$81,950	\$90,145	\$98,300

\*subject to change\*

2. Moderate Income Affordable Housing Cost – For moderate income households, affordable housing cost shall not exceed the product of 35 percent times 110 percent of area median income adjusted for family size appropriate for the unit as defined in Health & Safety Code § 50052.5 (h). Pursuant to subsection (b)

(4) of Health & Safety Code § 50052.5, “affordable housing cost” for purposes of qualifying for participation in this program shall not be less than 28 percent of the gross income of the household.

D. Property and Household Requirements

1. **Unit must be owner occupied during the term of the City’s Covenant.**
2. The Borrower’s household shall have sufficient income and creditworthiness to qualify for primary financing as defined by their selected lender.
3. The Borrower’s household shall have sufficient assets to provide a minimum of 1.5% or more down payment, plus closing costs. Exception will be made for Veteran Loans.
4. Non-occupying co-signers will not be accepted.

E. Determination of Adjusted Gross Income

1. In calculating adjusted gross income, all of the income of the Borrower(s) and other household members who share the same dwelling unit or share in the ownership of the unit, whether in cash or in kind, shall be considered, as set forth below:
  - a. The full amount, before any payroll deduction, of wages and salaries, overtime pay, commissions, fees, tips, and bonuses, and other compensation for personal services, provided they are normal and consistent income of the applicant;
  - b. The net income from an operation of a business or profession, as calculated by averaging the net income manifested on their federal income tax returns for the past three years;
  - c. Interest, dividends, and other net income of any kind from real or personal property;
  - d. The full amount of periodic payments 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 payment for the delayed start of a periodic payment;
  - e. Periodic and determinable payment in lieu of earnings, such as unemployment, worker’s compensation, severance pay, and welfare assistance (NOTE: such payments may be excluded by the lending institution providing the first mortgage for purposes of underwriting, but shall be included in eligibility determinations for this program);
  - f. Periodic and determinable allowances, such as alimony and child

support payments, and regular contributions or gifts received from persons not residing in the dwelling to the extent that such payments are reasonably expected to continue;

- g. All regular pay, special pay, and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is head of the family, spouse, or other person whose dependents are residing in the unit;
  - h. Any earned income tax credit to the extent it exceeds income tax liability; and
  - i. Any other income that must be reported for federal and state income tax purposes.
2. The following exceptions shall apply in the determination of adjusted gross income:
- a. Payments received for the care of foster children;
  - b. Amounts specifically excluded by a federal or state statute from consideration as income;
  - c. Casual, sporadic, or irregular gifts;
  - d. Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains, and settlement for personal or property losses (these items shall be considered as assets for the purpose of the program);
  - e. Amounts of educational scholarships paid directly to the student or to the educational institution, and amounts paid by the government to veterans for use in meeting the costs of tuition, fees, books, and equipment.
3. The Borrower shall be required to provide federal and state income tax returns for the prior year and verification of current income to document eligibility for the program.

#### F. Assets

- 1. For purposes of this program, the following types of assets shall be considered in eligibility determination:
  - a. Cash savings;

- b. Marketable securities, stocks, bonds, and other forms of capital investment, including tax exempt securities other than retirement plans (e.g. IRA's, 401K's, KEOGH's, SEP's, etc.);
  - c. Inheritance, lump-sum insurance payments, or similar payments, already received;
  - d. Settlements for personal or property damage, already received;
  - e. Equity in real estate, except as stated below; and
  - f. Other personal property, which is readily convertible into cash.
2. The following are not considered assets:
- a. Ordinary household effects, including furniture, fixtures, and personal property;
  - b. Automobiles used for personal use; and
  - c. Depreciable property used in a business, which generates a significant proportion of household income.

NOTE: The City/Commission reserves all right to determine eligibility of applicant(s).

### **III. TERMS AND CONDITIONS**

#### **A. Terms**

- 1. The term of the Covenant is for the 15 years..
- 2. The Homebuyer must comply with the following restrictions during the term of the Covenant:
  - a. Cannot sell, transfer, lease, rent or convey the property, unless the City/Commission approves the purchaser/transferee as a person eligible for this program as set forth below in Section III.G.4.
  - b. Cannot refinance the first mortgage without City approval. The City will not approve a cash-out refinance during the term of the Covenant;
  - c. Must occupy the property as his/her principal residence; and
  - d. If the property is transferred through probate, then the close of probate must result in Homebuyer's spouse obtaining fee title to the

property.

e. After the completion of the fifteenth (15<sup>th</sup>) year of the Covenant term, then the City will release the covenant.

4. The Covenant shall be recorded with the Los Angeles Records office as required by law.
  5. The property will be subject to restrictions on re-sale as described in Section G, below.
  7. The Borrower shall maintain current payments on the first deed of trust, property taxes, and hazard insurance.
- B. Recertification; City/Commission Monitoring
1. Borrower shall agree to execute the consent set forth in Attachment "A" requiring submittal of an annual affidavit of occupancy and maintenance of the exterior of the property, including lawn mowing and weeding.
  2. The First Trust Deed Lender, and any permitted Second Trust Deed Lender, shall, upon receipt, provide City with any Notice of Default on taxes. Such Lender(s) shall also agree to record a Request for Notice of Default notifying City of the occurrence of an event of default under its trust deed.
  3. City shall be named as beneficiary on hazard insurance policies and shall be notified of modifications or cancellations of insurance coverage.
- C. Property Resales, Refinancing, Payment of Prior Mortgages and Subordination
1. Property shall not be sold for less than the sum of the existing liens, encumbrances, and interest, including property tax liability, without the express written consent of the City.
  2. Refinancing shall be allowed, provided, however, that no cash out refinancing, which would increase the amount of the First Trust Deed, or any permitted Second Trust Deed, on the property will be permitted.

#### Obligations and Restrictions

The City must approve the refinancing and/or resale of the property to another low/moderate income household. In order for the City to make the determination needed for approval loan documents and application must be submitted to the Housing Division staff full and complete. A minimum of ten (10) working days from the time the application is deemed complete is required to determine eligibility before the new buyer can receive the transfer covenant.

1. The lender will submit a formal written request to the Housing Department of the City of Baldwin Park on behalf of the property owner that includes the following information:
  - a. Copy of current application form
  - b. Copy of appraisal
  - c. Verification of employment
  - d. Demand on existing mortgage
  - e. Estimated closing statement
  - f. Terms of new loan
  - g. Current credit report
  - h. Preliminary title report
  - i. Explanation for purpose of refinancing from property owner

2. The City's main purpose will be to evaluate the following information:

***Principal / Interest Rate***

The new principal and interest rate will be fixed, 30 or 15 year amortization. The rate will not be variable or adjustable.

***Preliminary Title Report***

Must provide prior to loan closing. This will show only the new loan. All taxes will be current and there will be no other liens or encumbrances.

***New Loan Documents***

Provide certified copy of the loan documents to be used and the estimated new loan payment versus what they are now paying for principal and interest.

***Subordination Agreement***

The Housing Department staff will review and approve the Subordination Agreement and the Agreement will be approved and executed by the City Manager.

***Request for Notice***

The lender will also prepare a Request for Notice for the City in the event the senior loan defaults.

***No Cost to City/Agency***

The buyer will bear all costs connected with the transaction.

***Monitoring Requirements***

The buyer will have cooperated with the City/Agency and returned the City's Annual Occupancy Monitoring documents. For instance, the buyer will be occupying the home as their primary residence and, therefore, not have rented the property to others. In addition, exterior property maintenance will

be up to City Code and will have no Code Enforcement violations.

In addition, the property owner must submit an explanation of his/her purpose in refinancing, if applicable.

3. The lender shall provide certified copies of all documents relating to the purchase to the Housing Department. The lender will also prepare a Request for Notice for the City in the event the senior loan defaults. The Housing Department staff will review and approve any required subordination agreement. The subordination agreement will be approved and executed by the Executive Director if City/Commission criteria are satisfied.

#### **IV PURCHASE PROCEDURES (See also attached Sales Plan)**

- A. The potential homebuyer contacts a lender (or lenders, if the second is a governmental entity) of his/her choice to be pre-qualified.
- B. The First Trust Deed lender(s) contacts the City of Baldwin Park to receive City guidelines.
- C. The First Trust Deed lender(s) returns a complete loan package (including the City's application) to the City.
- D. Once the City has received a completed First Trust Deed lender's package, the City's loan committee will approve/deny the purchase based on the attached Sales Plan.
- F. After approval/denial of the purchase, the First Trust Deed lender(s) will be notified. If approved, the First Trust Deed lender(s) will be informed to proceed with Covenant documents and the City will simultaneously prepare the necessary City Covenant documents.
- E. The approved Borrower(s) sign the City's Covenant documents at the Housing Department. The signed documents will be forwarded to the escrow for closing.

**ATTACHMENT "A"**

**ANNUAL MONITORING AGREEMENT**

**BORROWER CONSENT TO ALLOW FUTURE OCCUPANCY AND MAINTENANCE MONITORING.**

Prior to close of escrow, the Borrower(s) have indicated their approval below to cooperate with the City of Baldwin Park and the Baldwin Park Community Development Commission to annually monitor the following activities:

1. The Borrower(s) are in fact occupying the property as their primary residence and have not rented or sublet the property to unauthorized occupants.
  
2. The Borrower(s) shall maintain the property to the attached Property Standards including exterior maintenance, and provide for periodic lawn mowing/weeding. The Borrower(s) may change out or add front yard landscape materials. As a courtesy, please call the Planning Division at (626) 813-5261 for advice.

The City/Commission shall annually mail out to the Borrower(s) a standard monitoring form for the Borrower(s) to certify that the above conditions have been followed. The Borrower(s) shall fill out and complete the form and return same within 10 days of receipt.

**BORROWER(S) APPROVAL:**

\_\_\_\_\_  
Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name

\_\_\_\_\_  
Date

## **City of Baldwin Park Property Standards**

Property Owner's receiving assistance from the City of Baldwin Park are required to maintain the property pursuant to all City codes and the property standards herein specified. In order to verify if the general property standards are being met, the City will conduct random inspections to verify compliance. The City reserves the right to visit the property on an annual basis to verify compliance.

Properties must be in compliance beginning from the time of Loan Committee Approval and until the Covenant term expires. Properties not in compliance will receive notification of violations and will be required to make corrections in a timely manner. The following is a list of the required standards for the various items that are to be maintained.

### **Exterior**

#### **Landscaping**

Maximum height of grass shall not be higher than 4 inches throughout the property

Grass will be maintained and watered regularly. (Dry grass will be in violation).

All trees shall not encroach into the City right of way (i.e. sidewalks) and will have a minimum height clearance of 13' from the surface of the street.

Overgrown weeds and vegetation shall be abated on a year round basis.

Grass areas will not be used as storage for automobiles, boats, furniture, or items deemed as a violation by the Code Enforcement department.

Property owner is responsible for ensuring that the public right of way adjacent to the property is kept clean and clear of debris, overgrown weeds, and vegetation and is routinely watered and manicured.

#### **Foundation**

Property foundation shall be maintained by ensuring that water and termites do not affect the concrete foundations or wood framing.

#### **Wood Surfaces**

Property must be kept clear of termite infestations at all exterior surfaces such as wood siding, garage framing, front porch, rear patio covers, eaves, trim, fascia, rafters, wood fences, and anything structural constructed of wood material.

All wood surfaces must not be allowed to be affected by dry rot, mold, water damage, and deterioration. If surfaces are affected either replacement or repair will be required to be in compliance.

### **Stucco and Painted Surfaces**

All properties are to insure that property stucco remains in tact.

All painted surfaces must retain their original color or be repainted once fading begins.

Painted surfaces are to be kept clear of water damage caused by irrigation systems.

All fences and gates must be kept painted with an even coat.

All repairs or alterations made after rehabilitation work must conform to U.B.C. and City Building Codes

### **Windows, Doors, Gates, and Fences**

All mechanisms on windows, doors, gates, and fences must remain fully operable. All broken parts to any of the mechanisms must be repaired to attain proper function

Damages to windows, doors, gates and fences must be repaired.

All windows, doors, gates and fences installed after rehab must conform to U.B.C and City Building Codes

### **Exterior Electrical**

All exterior wiring must not be allowed to become unfastened from their attached location.

All exterior faceplates must remain fastened the outlets.

Wiring installed after rehab work must conform to N.E.C. and City Codes

### **Exterior Plumbing**

All plumbing must remain full operable.

Irrigation systems must be maintained to avoid over watering

All exterior plumbing installed after rehabilitation must conform to U.P.C and City Codes.

### **Roofing**

Property owner must repair damaged roofing (i.e. replace shingle, drip edge, flashing, metal valleys, roof jacks and vent caps). *Exception: Roof is still under General Contractor Warranty*

---

Property Address

---

Property Owner

---

Date

---

Property Owner

---

Date