

Attachment A



Measure A1 - Alameda County Down Payment Assistance Loan Program Implementation Policies DRAFT as of May 2nd, 2018

On June 28, 2016, the Alameda County Board of Supervisors placed Measure A1 on the November ballot for \$580 million in general obligation bonds designated for affordable housing, and adopted a program summary outlining basic parameters of programs to be funded. The residents of Alameda County voted to support the Measure A1 Bond by 73% in favor on November 8, 2016. Alameda County's Housing and Community Development Department (HCD) is implementing the programs under the Bond.

Of the Bond's five programs, one is intended to assist middle-income working households to purchase homes and stay in Alameda County, instead of having to move to outlying areas in order to afford a home. The target funding allocation is a total of \$50 Million over the course of the bond program. Detailed implementation policies have been developed to guide the use of the funds allocated to the Down Payment Assistance Loan Program (DALP).

Down Payment Assistance Loan Program Summary Framework

When the Alameda County Board of Supervisors placed Measure A1 on the ballot, it also separately adopted a program summary, which framed the programs to be funded by the Bond. For the DALP, this included:

1. The target population for the DALP is first-time homebuyers, as defined by the IRS, with household incomes at or below 120% of Area Median Income (AMI). A maximum income level of 150% of AMI will allow for flexibility over the life of the program to ensure that the program can assist homebuyers across the County and to allow for dual-income target population households to benefit from the program. These income caps include many types of employment, such as teachers, electricians, emergency medical technicians and others.

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2. DALP will include design features:
 - A. to encourage current Alameda County residents to purchase homes near where they work, or in proximity to transit that can take them to work;
 - B. allowing former Alameda County residents who have been displaced due to foreclosure or rising housing costs to benefit from the program; and
 - C. to benefit teachers, other local educators, and critical first responders to live in the communities in which they work.
3. Modeled after a successful San Francisco loan program, DALP would be a shared-appreciation, silent- second mortgage. There is no interest rate on the loan and no monthly payments to add to housing cost burden. When the home is sold or transferred to anyone other than an approved, income-eligible household, the loan is paid back along with the same percentage share of the net appreciation equity. This allows the funds to revolve and serve other households as the sales prices in the market rise, while also allowing the homeowner to benefit from a share of the appreciated price. The homes purchased with these loans will be monitored to ensure that they remain owner-occupied.

The adopted Program Summary provides the overarching programmatic framework. These implementation policies, once adopted by the Board, will provide more detail for how the program will operate while still providing flexibility to implement the programs.

It is anticipated that these initial Implementation Policies will evolve over time. HCD will track and report on implementation on an annual basis, including recommendations for any needed modifications to policies to ensure achievement of Measure A1 goals.

Down Payment Assistance Loan Program Policies

1. Buyer Eligibility:

- A. Buyers must live or work in Alameda County or have previously lived in Alameda County and have been displaced.
- B. To qualify as a displaced household, the applicant's household must include at least one adult member who was displaced from their principal place of residence within Alameda County within ten years prior to their application date. Displacement may include:
 - I. Code enforcement activities,
 - II. A City/County-sponsored or City/County-assisted development project,
 - III. A "no fault" eviction from a rental unit in Alameda County,
 - IV. Property Foreclosure,
 - V. Informal Evictions, including:
 1. Eviction without notice,
 2. Rent increase,

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3. Owner Move-in,
4. Condemnation,
5. Property conversion to Condominium or other use.

C. Income Requirements:

- I. Households must be at 150% AMI or less to be eligible for a DALP loan. See Section ***“Target Income Levels.”***

II. Asset Limit

1. Buyers may not have more than \$300,000 in liquid assets at time of application. Liquid assets between \$60,000 and \$300,000 must be invested in the purchase.

- III. In order to avoid complicating the underwriting of buyers, DALP will rely on first mortgage lenders to underwrite buyers' creditworthiness and will not impose any specific minimum FICO Score at this time. However, over time, as mortgage lending standards change, a minimum credit score may be added if lender credit standards are significantly relaxed.

IV. Down Payment Requirements

1. Buyers must generally provide a minimum of 3% down payment. Note: the 3% down-payment requirement reflects a decrease from the 5% down payment requirement included in the initial Bond Program Description.
2. Half of the 3% down-payment, or 1.5% of the total purchase price, must come from applicants own funds. The remainder of the down payment may come from gifts or grants.

- V. In special cases, buyers participating in targeted low or no down payment financing programs such as those offered to veterans by the VA may be allowed to purchase with less than 3% down payment. Eligible programs must be approved by the County.

VI. Qualifying Ratios

1. DALP will require a *minimum* 25% front-end ratio (ratio of loan payment to income) to prevent the program from over-subsidizing borrowers.
2. DALP will not require a maximum front-end ratio initially (though as mortgage lending standards change a maximum Front End Ratio may become necessary at a later date)
3. DALP will require a maximum 43% back-end ratio (Ratio of all debt to income) to prevent over-extended borrowers.
4. Buyers who purchase homes near to their workplaces or to transit may qualify with a 45% back end ratio. To be eligible for this incentive, the home purchased with DALP assistance must be:

- i. located within 15 miles of one household member's place of employment, or

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- ii. If further away than 15 miles, the home must be located within a ½ mile of a transit line that will take the household member within 1/2 mile of his or her place of employment.

2. Target Income Levels:

A. In all cases DALP funding is restricted to households earning no more than 150% of Area Median Income (AMI).

- I. Households with incomes at or below 120% of the Area Median Income (adjusted for household size) will be eligible to receive a DALP loan. In addition, the program will offer loans with a higher loan limit to buyers earning less than 100% of AMI. For 2018, these target income limits are below:

Household Size	1	2	3	4	5	6
100% AMI	\$78,438	\$89,625	\$100,813	\$104,400	\$121,000	\$129,938
120% AMI	\$94,125	\$107,550	\$120,975	\$125,280	\$145,200	\$155,925

- I. Educators & First Responders: Households that qualify as Educators or First Responders will be eligible for DALP loans with household incomes that are slightly higher than what would otherwise be allowed. For these households the maximum income will be 150% of Area Median Income. For 2018, these target income limits are below:

Household Size	1	2	3	4	5	6
150% AMI	\$117,656	\$134,438	\$151,219	\$156,600	\$181,500	\$194,906

- i. To qualify as an Educator household at least one member of the household must be a full-time teacher, administrator, school district employee or staff member working for any Alameda County K-12 public school, which includes Charter schools and county/continuation schools, or community colleges and public university within Alameda County, including extension campuses, or full-time licensed child care provider within Alameda County.
- ii. To qualify as a First Responder household at least one member of the household must be an active uniformed, sworn member of a Police, Fire, or Sheriff's Department within Alameda County or employed full-time as EMT or Paramedic within Alameda County.

1. Eligible Types of Properties:

A. Properties must be located within Alameda County to be eligible for a DALP Loan.

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- B. Initially only one-unit properties will be eligible. At a later point the program may be expanded to include 2-4 unit properties including homes with Accessory Dwelling Units.
- C. DALP will not directly limit the size of homes that a qualified household can purchase.
- D. Properties must be owner-occupied or vacant for 90 days prior to closing.
 - I. This policy is intended to prevent unintentional displacement of a resident as a direct result of a home purchase using a DALP loan.
 - II. Vacancy prior to closing is intended to avoid potential relocation payment requirements as part of the California Relocation Act (Tit. 1. Div 7. Chap.6. Sect. 7260-7277, Stats. 1943 Ch. 134).
- E. DALP will not impose a specific maximum purchase price, however the front-end and back-end ratio requirements listed in the Section ***"Income Requirements"*** will limit the eligible loan amounts for applicants.

2. **Loan Amount:**

- A. For buyers earning less than 100% of Area Median Income the initial DALP Loan limit will be \$150,000.
- B. For buyers earning 100% of AMI or more the initial DALP loan limit will be \$100,000.
- C. In addition, the DALP Loan amount will not be limited to a percentage of the purchase price. Note: This is change from the 15% limit included within the original Bond Program Description.

3. **Loan Eligibility Criteria:**

- A. DALP will not allow any co-signers that will not live in the home purchased.
- B. Repayment Terms
 - I. After original purchase by an eligible buyer with a DALP loan, no DALP loan payments are required until sale or transfer of property.
 - II. Repayment at sale will include a share of the property appreciation based on the share of the initial purchase price financed with the DALP loan.
- C. Assumability
 - a. DALP loans may be assumed by future buyers of the same homes if the homes are sold or transferred to income-eligible buyers who are approved prior to purchase/transfer by the County.
- D. Loan Subordination
 - I. DALP Loan must be in the second position unless further subordination is approved.
- E. Appraisal

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- I. DALP requires a Fair Market Appraisal Report completed by a qualified appraiser as part of the loan application.
- F. Home Inspection
 - I. A general home inspection by licensed home inspector and a pest inspection are required as part of the loan application.
 - II. An affidavit must be signed by the buyer stating they've reviewed the report with their realtor or another professional and that they understand the findings in the inspection report.
 - III. No escrow 'holdbacks' for repairs are allowed.
 - IV. The DALP program will provide education materials on budgeting for repairs and maintenance and covering when building permits are required.
- G. Citizenship
 - I. Proof of Citizenship or Immigration Status is not required for DALP application, but may be required for the first mortgage financing from a Participating Lender.
- H. First Time Home Buyer Training
 - I. Buyers must complete an approved homebuyer education program from a County-approved agency.
 - II. Buyers must participate in a DALP Specific 'policy review session'.
- I. Owner Occupancy
 - I. Buyer must live in the home as their primary residence at least 10 months per year.

4. Lending Requirements

- A. First Mortgage
 - I. First Mortgage must be a 30 year fixed rate loan from a lender that has been certified by the DALP program.
 - II. The first mortgage must be for at least 50% of the purchase price.
- B. Impounds
 - I. The first lender must collect and manage impound accounts for payment of property taxes, hazard insurance and monthly mortgage insurance premium (if applicable) for the term of the primary loan.
- C. Lender Certification
 - I. Any lender may participate in the DALP program as long as the lender has a loan officer who has completed a DALP training to be certified in the program.
 - II. Trainings will be offered in person and online via webinar
- D. DALP will allow cash back from escrow only up to a maximum of \$750.
- E. DALP will have no reserve requirement.
- F. DALP will allow refinancing when it is the same borrowers performing the refinancing and there is no cash out. Any other refinancing would require repayment

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of the DALP loan principal and share of appreciation based on an appraisal at the time of refinancing.

5. Eligible Use of Funds:

- A. DALP Loans cannot cover rehabilitation costs.
- B. Layering with Other Program Funding
 - I. City Loan Programs
 - i. County will not subordinate to local city loan programs but after the first phase of operation the County will consider approving local Down Payment programs for layering in addition to DALP to help buyers reach homes in higher cost areas of the county.
 - II. Below Market Rate (BMR) Units
 - i. DALP may be used for buyers of BMR units at resale. The County may approve use of DALP with new (first sale) BMR units (including units financed with Measure A1 Homeownership Development Program funding) only when BMR prices meet County standards for affordability without relying on DALP and only when DALP is necessary for the buyer to afford the unit. This ensures that developers cannot adjust pricing to capitalize on the availability of a DALP loan. Appreciation share on BMR units will be calculated based on the change in the affordable price which will generally be less than the appreciation on comparable market rate units. No more than 10% of DALP funds will be invested in BMR properties.
 - ii. Land Trust/Ground Leases are allowed

6. Application Process:

- A. DALP will offer multiple processes for applicants to apply for loans.
- B. Reservation Process
 - I. DALP will offer a 90 day reservation system, in which applicants can apply for reservation of DALP loan funds to use to search for and purchase a home.
 - II. Applicants will have the option to request an extension of the reservation for an additional 90 days with evidence that they have been actively searching for a home.
 - III. An additional 60 day extension could be approved in extenuating circumstances.
- C. First-Come, First-Serve Process
 - I. DALP will maintain a small allotment of funding for applicants who are in contract on a home but are without a reservation or require expedited application approval to close on the home.
 - II. These funds will be available on a first-come first-serve basis.
- D. Seller Reservation Process

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- I. At a later date the program may develop a pilot seller reservation system which would hold a small amount of funding for sellers who agree to sell to eligible buyers.
- E. Monitoring
 - I. The program will contact each DALP borrower annually to verify that the homes remain owner occupied and that owners maintain required insurance coverage.

Attachment B Loan Limit Analysis and Maps 1-5

Street Level Advisors used these AMI limits to determine a home loan amount that would be affordable to a household at those incomes. They used the following assumptions in determining the affordable home loan sizing calculation:

Interest Rate	4.5% ¹
Mortgage Term	30 years
Property Tax Rate	1.75%
Property Insurance	\$140 SFH ²
% of Income for Housing Costs	35%
Down Payment	5%

Based upon these assumptions, the following home prices were deemed accessible to a *three-person household* with a borrower spending 40% or less of their income on housing costs:

AMI	Affordable Home Loan Amount (\$)
80% AMI	\$348,710
100% AMI	\$445,089
120% AMI	\$541,461
150% AMI	\$686,018

A DALP loan would increase the amount that each income group could potentially pay for a house. Depending on the level of the DALP loan, the accessible home loan amounts would increase to the following:

AMI	Potential Purchase Price with Different Loan Amounts			
	No Loan	\$50,000	\$100,000	\$125,000
80% AMI	\$348,710	\$398,710	\$448,710	\$473,710
100% AMI	\$445,089	\$495,089	\$545,089	\$570,089
120% AMI	\$541,461	\$591,461	\$641,461	\$666,461
150% AMI	\$686,018	\$736,018	\$786,018	\$811,018

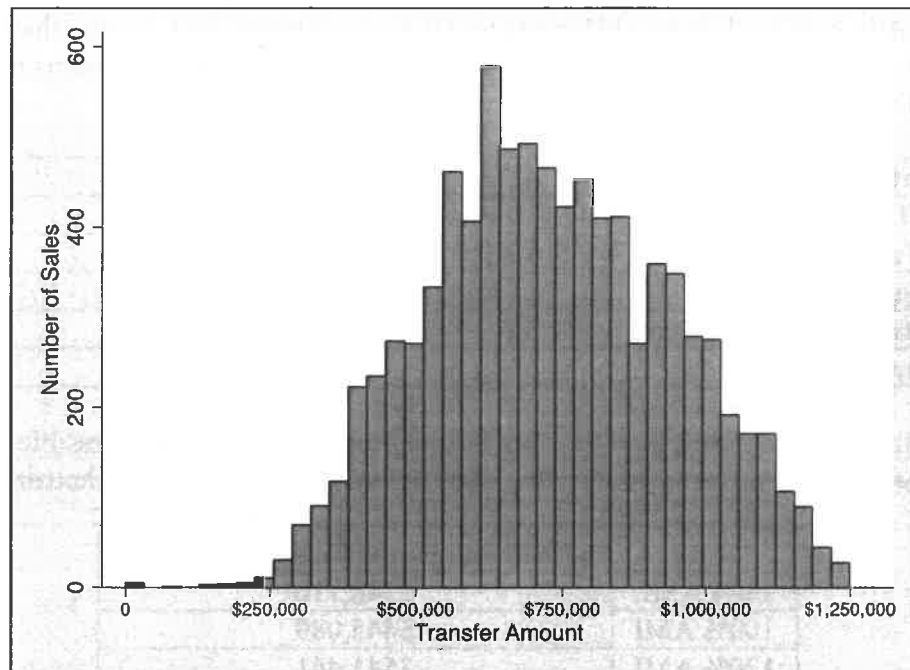
Street Level Advisors then used Alameda County home sale records for the 2017 calendar year drawn from PropertyRadar to determine the number of homes available within each price range. They used the following criteria to identify homes that would be the most likely to be accessible to someone with a DALP loan:

- located within Alameda County,
- non-vacant,
- non-foreclosure,
- less than 5-bedroom, and
- under \$1,250,00 sales price

¹ <https://www.zillow.com/mortgage-rates/ca/oakland/>

² Calculated as \$3.5/\$1,000 in Home Value

Based upon this analysis Street Level Advisors found the following distribution of prices:



Price Range	Homes Sold in 2017
Below \$550,000	1,720
\$650,000 to \$650,000	1,472
\$650,000 to \$675,000	421
\$675,000 to \$1,250,000	5,077

Street Level Advisors found 8,690 sales in 2017 meeting the above criteria. For a three-person household with an income of 120% AMI, approximately 1,700 homes would be available at a transfer amount considered affordable. However, the use of a \$100,000 DALP loan would nearly double the number of potential homes, increasing the number of homes by nearly 1,400 homes. A DALP loan of \$1,250,000 would increase the number of affordable homes by approximately 400 additional homes.

Location of Home Sales

In addition to the number of homes available at prices within the range available to a DALP loan recipient, Street Level Advisors also looked at the location of the homes themselves. Map 1 shows the locations of homes with transfer amounts below \$550,000 and above \$550,000 in 2017. As Map 1 shows the 1,720 homes below \$550,000 are heavily concentrated in East Oakland south of the 580 Freeway and in the Hayward and San Leandro area.

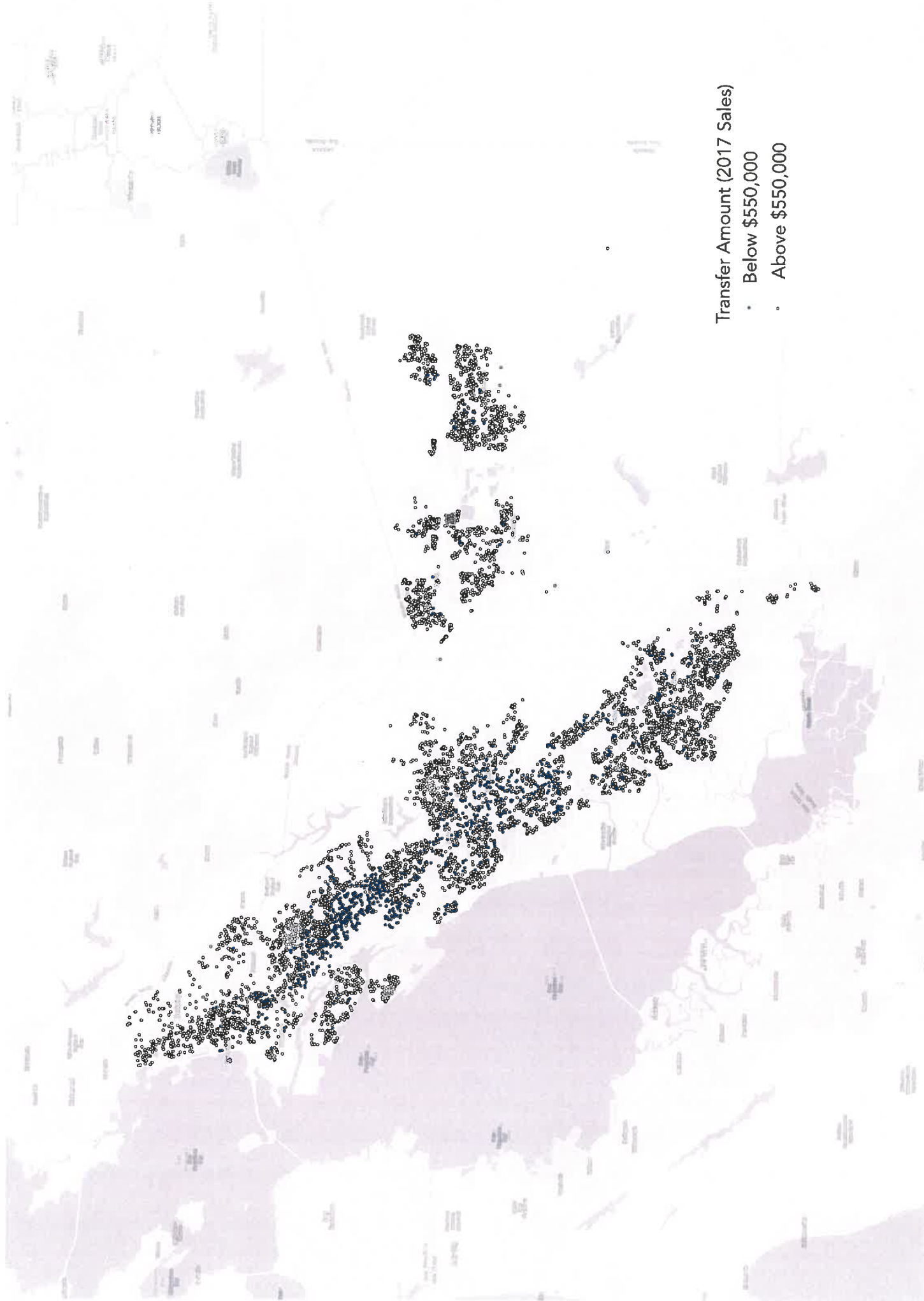
Map 2 shows the locations of the 1,472 homes with transfer amounts between \$550,000 and \$650,000. As Map 2 shows the geographic distribution of these homes has expanded to include

the areas around the 580 Freeway in Oakland, Hayward, Castro Valley, San Leandro, as well as the Tri-Valley cities of Dublin, Pleasanton, and Livermore. This suggests that a \$100,000 DALP loan could make a significant difference not only in who is able to buy a home but in where moderate income buyers are able to buy.

Map 3 shows the locations of the 1,472 homes with transfer amounts between \$550,000 and \$650,000 (red dots) and the 421 homes with transfer amounts between \$650,000 and \$675,000 (orange dots). As Map 3 shows, the geographic distribution of these sales is similar to that of Map 3, however the number of homes in the expanded geography has also increased.

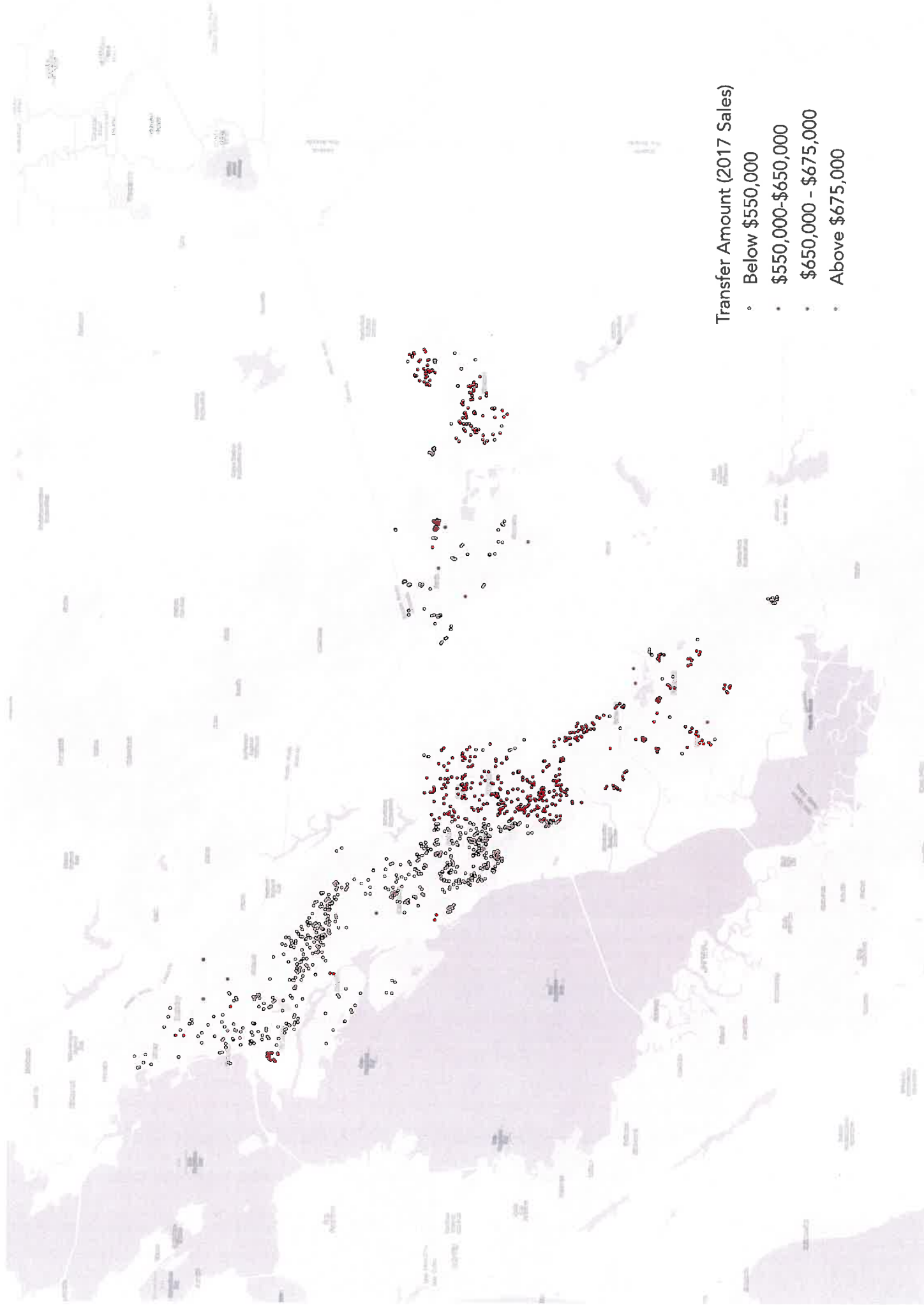
Out of the whole pool of lower cost homes, some were sold in all cash transactions. It seems unlikely that DALP buyers would be successful in competing for these units. But even when these transactions are removed, there are a sizable number of homes for which DALP buyers would have been able to compete. Map 4 shows the locations of homes that were traditionally financed (buyer equity was less than 30% of price) and sold for less than \$750,000. The table below lists the total sales and the number and percent of sales that were for less than \$750,000 and to buyers with less than 30% equity for each city. Countywide, 35% of 2017 sales fell in this category which might have been attainable to income qualified buyers with a \$100,000 DALP Loan. However the share of accessible homes varies quite a bit between cities.

City	All Sales	Sales (≤30%, 750k)	% (≤30%, 750k)
Alameda	373	62	17%
Albany	73	15	21%
Berkeley	227	23	10%
Castro Valley	427	107	25%
Dublin	528	136	26%
Emeryville	103	42	41%
Fremont	1,174	203	17%
Hayward	1,080	651	60%
Livermore	846	328	39%
Newark	311	75	24%
Oakland	1,938	873	45%
Piedmont	9	0	0%
Pleasanton	463	67	14%
San Leandro	568	247	43%
San Lorenzo	168	96	57%
Sunol	5	1	20%
Union City	397	100	25%
Countywide	8,690	3,026	35%



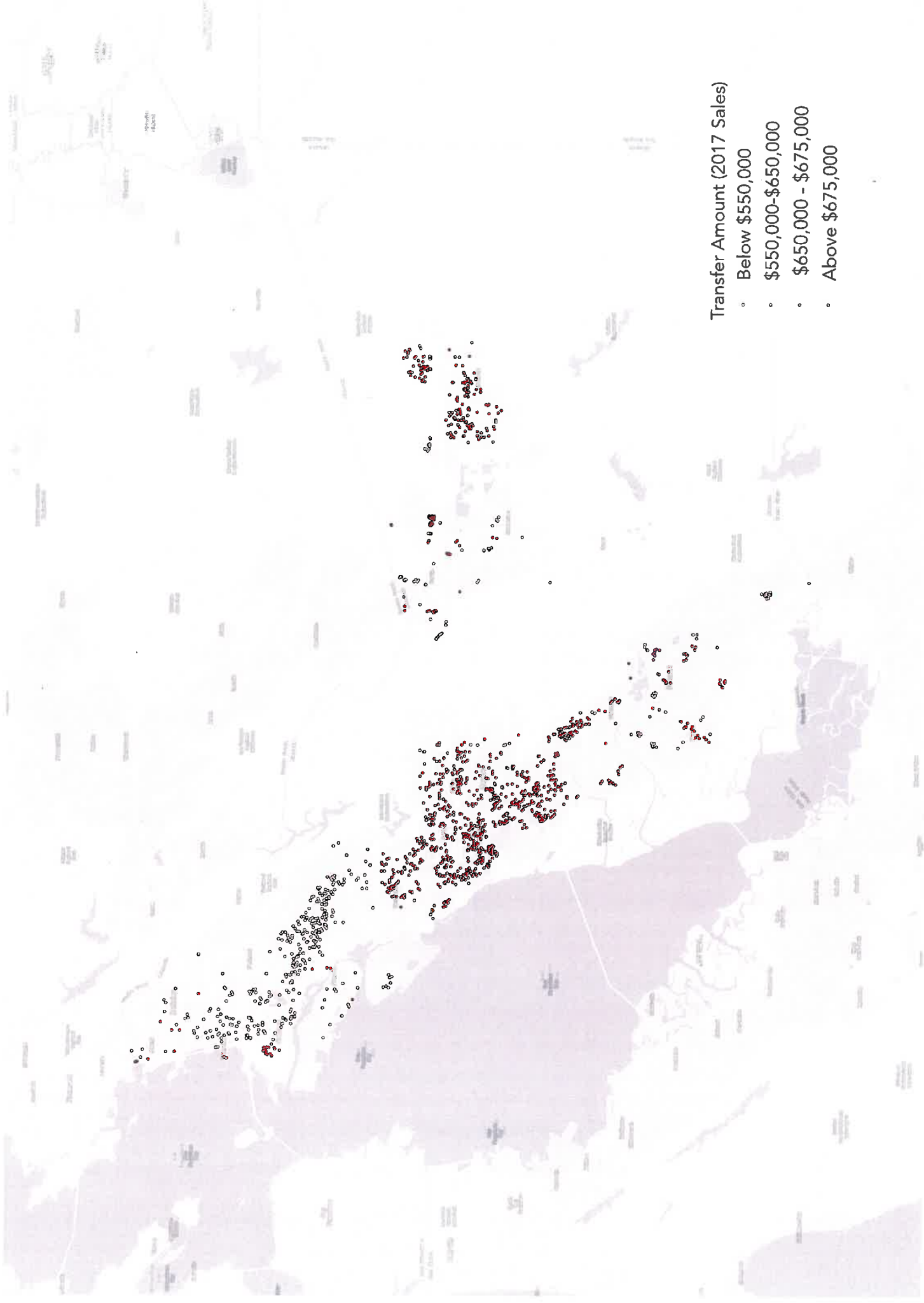
Transfer Amount (2017 Sales)

- Below \$550,000
- Above \$550,000



Transfer Amount (2017 Sales)

- Below \$550,000
- \$550,000-\$650,000
- \$650,000 - \$675,000
- Above \$675,000



Transfer Amount (2017 Sales)

- Below \$550,000
- \$550,000-\$650,000
- \$650,000 - \$675,000
- Above \$675,000



Transfer Amount (2017 Sales)

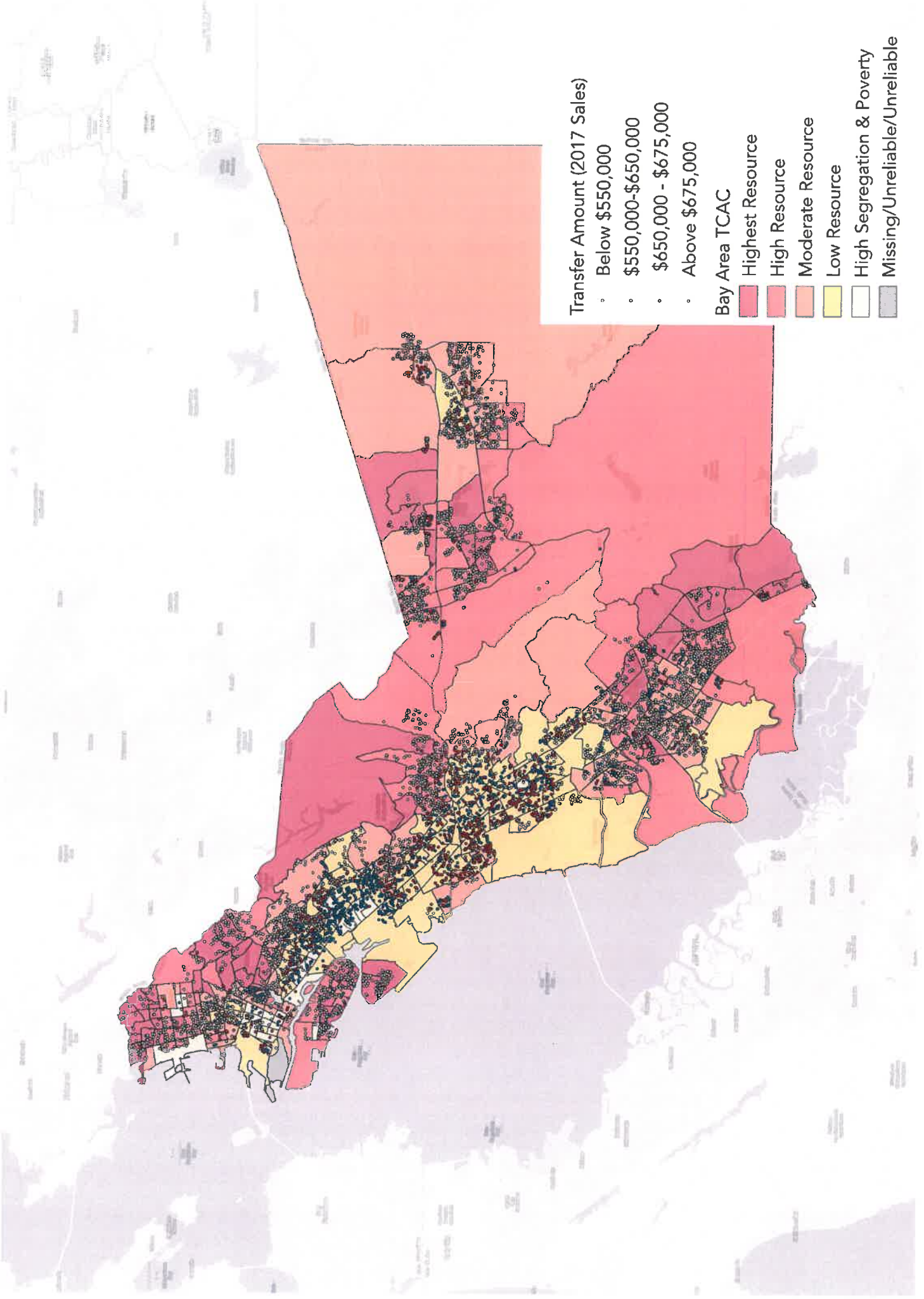
- Below \$550,000
- \$550,000-\$650,000
- \$650,000 - \$675,000
- Above \$675,000

Transfer Amount (2017 Sales)

- Below \$550,000
- \$550,000-\$650,000
- \$650,000 - \$675,000
- Above \$675,000

Bay Area TCAC

- Highest Resource
- High Resource
- Moderate Resource
- Low Resource
- High Segregation & Poverty
- Missing/Unreliable/Unreliable



Attachment C

Additional Stakeholder Input Received

Some additional concerns reflected concerns Hello was not able to accommodate in the proposed draft guidelines. These included:

Counseling

- Buyers should be required to complete one-on-one counseling in addition to homebuyer counseling. San Francisco requires counseling but they also provide funding to the nonprofit agencies that offer that counseling.

Eligible Properties

- The County should not prevent DALP buyers from purchasing tenant-occupied homes. Commenters recognized that this might result in tenant displacement, but felt that this prohibition would disadvantage DALP buyers relative to other buyers in the market.

Home Buyer Requirements

- The program should have a minimum credit score requirement because, while lenders are enforcing careful credit standards today, they have not always done so.
- There should not be any required specific down payment amount because specifying a minimum down payment might limit the number of eligible buyers.

Process

- There were many concerns about the proposed reservation process, primarily related to applicants tying up the funds while they search for a home. San Francisco requires reservations while Oakland offers loans on a first-come-first-served basis. Both seem to have benefits so Hello is proposing to offer both options.

Property Inspections and Renovations

- Some stakeholders felt that the program should closely review property inspections and ensure that buyers had funding to fix all needed repairs. Others felt that inspections should not even be required.
- Buyers should be allowed to use the DALP funds for home renovations.

Additionally, stakeholders raised recommendations and interest around several program design features that could strengthen the program in future years, but are currently outside Hellos' scope of work and would require further program design. These topics are:

- Design a seller reservation pilot program that would market to, and reserve funds for, sellers in Alameda County who would like to sell their homes to DALP participants. Funds would be reserved for the seller to serve their buyer if the seller agrees to hold their home for a program participant. Stakeholders generally agreed that there are a small amount of sellers in the County that would be willing to potentially receive fewer proceeds on the sale of their home to do their part to address the housing crisis, but it would not be a significant amount of

participation. This would require a separate application process, tracking of funding reservations, disclosure requirements and marketing collateral.

- Allow buyers to purchase properties of up to four units or that have an accessory dwelling unit to allow for more properties to qualify for borrowers. However, stakeholders indicated that landlord training and additional reserves would need to be required if these purchases were to be allowed, both of which would be need to be explored further.
- Staff from the cities that currently offer down payment programs of their own felt that the County should develop mechanisms for layering County and City funding to serve higher need buyers or higher cost locations.