

## HOMEOWNERSHIP TERM SHEET SECTION 32

Section 32 regulations can be found at 24 CFR 906. For detailed information on the Section 32 program and additional guidance for completing this form, see the *Section 32 Desk Guide* found at

<http://www.hud.gov/utilities/intercept.cfm?/offices/pih/centers/sac/homeownership/section32deskguide.pdf>. For a complete description of the Middle-Income, Section 24/9, and Section 32, Section 8(y) programs, refer to *Some Homeownership Guidelines for PHAs* found at [http://www.hud.gov/offices/pih/programs/ph/hope6/mfph/ho\\_guide.pdf](http://www.hud.gov/offices/pih/programs/ph/hope6/mfph/ho_guide.pdf)

### I. COMPONENTS OF THE HOMEOWNERSHIP PLAN

All homeownership plans should include narrative and supporting documentation detailing specific requirements. These requirements include the following (24 CFR Part 906.39):

#### A. Method Of Sale

*Purpose:* To inform HUD of the factual circumstances of the proposed homeownership program.

*Instructions:* Provide a brief narrative that describes the goals and objectives of the homeownership program to be reviewed. Include the following information:

- The overall unit count broken down by unit type;
- Method of sale (fee simple, condominium, Lease Purchase, etc.), including the terms of the sale program.
- The building type(s) (e.g., row, elevator, detached/semi-detached, walk-up, etc.);
- Sources of funding;
- The names of the major partners; and
- Any unusual features of the project (e.g., a land swap, scattered site acquisition and development, etc.).

<i>Name of PHA:</i>	Housing Authority of Fresno County (HAFC)
<i>Name of Phase/Development:</i>	Homeownership Opportunity Program
<i>HOPE VI Grant No./Development Project No.:</i>	CA028000001
<i>Contact Name:</i>	Angelina Nguyen
<i>Contact Phone No.:</i>	(559) 443-8439 Email: <a href="mailto:anguyen@fresnohousing.org">anguyen@fresnohousing.org</a>

*Narrative:*

**Overall Unit Count and Description:** CA02800001 consists of 5 single-family detached houses of one and two story construction. The Units are located in the City of Sanger and are located at 324 J Street, 969 Holt Ave., 923 Holt Street, 856 Church, and 84 Redwood.

The units range in size from 1362 square feet to 2,027 square feet. The units located on Holt Ave. and Redwood are three bedroom, one bathrooms and the units located on J Street, Holt Street, and Church are three bedroom, two bathroom.

**Method of sale:** All Units, with the exception below, will be sold through a direct sale fee simple transaction directly by HAFC to existing HAFC public housing residents, housing choice voucher residents and to interested and qualified non-public housing residents.

In compliance with the predecessor Section 5(h) homeownership program, existing families will be “grandfathered in” and allowed to continue their lease-purchase contracts whereby a portion of their lease payment goes toward a reserve to be used as a down payment for their eventual home purchase.

Eligibility for this program is restricted to 60% to 80% AMI corresponding to an applicant’s household size. Existing public housing residents in the proposed HOP units will be offered the first right of refusal to purchase the Unit in which they reside. If an existing resident decides to purchase the Unit in which they live, the resident does not have to meet the 60% to 80% AMI income requirement.

**Sale and financing:** Purchasers are required to obtain a mortgage from a private lending institution. Purchasers are also responsible for their down payment and closing costs associated with their purchase. However, flexible gap financing will be offered by HAFC, as a soft second mortgage up to 20% of the sale price. Purchasers are required to use their own funds to contribute 1% of the sales price of the Unit towards their down payment. The Units will be sold for the appraised price, which will vary depending on house size and location.

**Funding:** Sources of funding for this project may come from proceeds from the sale of houses (program income) and available public housing capital funds. These funds will be used to prepare the homes for sale and for gap financing.

**Partners:** Major partners for this project include but is not limited to:

**Lenders:** Self-Help Federal Credit Union, Country Club Mortgage, Vero Mortgage, AmeriFirst Financial Inc., and any other qualified lender.

**Organizations:** Housing Authority of Fresno County (HAFC), CALHFA, Fate Financial Group Inc.

## B. Sale via Purchase and Resale Entity (PRE) (24 CFR 906.19)

*Purpose:* To inform HUD of the structure of any ownership and sale partners the PHA will utilize.

*Instructions:* Please complete information about ownership as needed.

**Is a PRE to be used for the sale of units?** Yes  No

*Instructions:* If yes, please provide the firm's qualifications, marketing plan, and a description of that entity's responsibilities as well as information demonstrating that the written agreement between the PRE and PHA contains or will contain the following: rights and responsibilities of parties; assurances of compliance with program requirements; assurances of deed restrictions on acquisition and resale of units; description of how the net proceeds will be determined and used; protections against fraud and misuse; limitations on overhead and profit; record keeping/reporting requirements; assurances of non-discrimination against eligible purchasers; adequate legal remedies; assurances of sale only to low-income households; a five-year limit on sale to eligible buyers; and the notification process to households (relocation, environmental review).

*Note:* Also see Section II (A) of this Addendum

## C. Property description

*Purpose:* To provide HUD with factual information relative to the units and property to be sold through the homeownership program.

*Instructions:* Complete the following chart and narrative along with appropriate supporting documentation (see Section II Supporting Documentation) that describes in detail the property/properties to be included in the program. **If selling existing ACC Units**, include the project number or street address, specific dwellings to be sold, bedroom distribution by size and type broken down by project, description of current building conditions and fair market value, description of physical assessment of buildings in the program. **If acquiring housing**, include a description of proposed general location of property or street addresses of properties to be acquired, project acquisition schedule, budget including sources of funds and acquisition, relocation, and closing costs, (where sites are identified) appraisal and environmental information, and bedroom distribution by size and type broken down by project. **If offering financing assistance to households**, include a description of area in which assistance to be used (see Section C, Property description (1) of the Desk Guide for an example), describe method(s) of financing to be used (NOTE: an application for sale that includes ACC units is made through the Public Housing Information Center (PIC)).

Existing ACC Units	5
New ACC Units	0
HA Acquired Non ACC units	0
Financing Assistance Only	0
<b>Total</b>	<b>5</b>

**C. Property description continued**

HAFC is selling 5 single-family ACC units for the purposes of creating homeownership opportunities. This table identifies the properties by development number per unit, street address, and bedroom distribution by size, fair market value (FMV), description of current building conditions and description of physical assessment of the buildings.

	<b>Development</b>	<b>Street Address &amp; Dwelling To Be Sold</b>	<b>Bed Room Size</b>	<b>FMV</b>	<b>Description of Building Condition</b>	<b>Physical Assessment of Buildings</b>
1	CA028000001	324 J Street	3	\$275,000	Fair	Single Family; 1 Story; 2027 sq. ft.; Built 1996
2	CA028000001	969 Holt Ave.	3	\$215,000	Fair	Single Family, 1 Story, 1362 sq. ft., Built 1992
3	CA028000001	923 Holt Street	3	\$275,000	Fair	Single Family, 1 Story, 1362 sq. ft. Built 1992
4	CA028000001	856 Church	3	\$275,000	Fair	Single Family, 1 Story, 1362 Sq. Ft., Built 1992
5	CA028000001	84 Redwood	3	\$215,000	Fair	Single Family, 1 Story, 1362 sq. ft. Built 1992

## **D. Repair or rehabilitation**

*Purpose:* To inform HUD of the assessing and implementing any repair or rehabilitation to meet federal, state, or local requirements

*Instructions:* **If the PHA plans to sell existing public housing rental units or acquire units that need repair, provide a narrative describing the process of assessment/implementing repair, identification of code violations or housing quality standard inadequacies and plans to address each code violation or inadequacy, Compliance with lead based Paint requirements, a cost estimate to rehabilitate buildings, obligation to make the units 504 compliant, and projections of estimate of repair costs in the next 5 years.**

H AFC proposes to sell existing public housing properties in its portfolio that previously operated under Section 5(h) regulations. H AFC will assess each unit and make necessary repairs with the following rehabilitation plans:

1. Provide single-family units for sale that are safe, sanitary and in physically sound condition and with all systems performing their intended design function;
2. Ensure that all properties meet necessary local building code requirements;
3. Ensure that all properties pass a Housing Quality Standards (HQS) inspection.

### **Housing Assessment**

Based on our stated goals, H AFC will rehabilitate the units to meet current building codes established by the City of Fresno. H AFC will inspect the units from the perspective of health, safety, system(s) integrity, marketability for homeownership and financial feasibility. Since low-income residents will purchase the units, analysis of long-term maintenance issues will be included in the assessment.

To determine preliminary Unit condition, H AFC staff will contract with Sterling, Inc. to inspect each Unit and conducted an assessment using the HQS inspection standard and corresponding HUD form 52580. H AFC will assess and inspect the Units again, once a purchase offer is placed on a Unit.

### **Projections of estimate of repair costs in the next 5 years**

H AFC projects that residents who purchase these houses will have zero (0) capital expenditures for the first five years of ownership. H AFC has employed the strategy to identify long-range maintenance issues that might arise and suggested rehabilitation activities that, if completed, would preclude the necessity for major upgrades in the first 5 years of homeownership. If the systems do not need repairs but are expected to require repairs within five years, they will be noted for repairs or replacement.

During the assessment, H AFC will establish four categories that define the condition of the Units and the level of rehabilitation needed:

1. Excellent – Unit does not require any rehabilitation and/or modernization. Unit

has no visible defects. Repairs if needed are cosmetic in nature, i.e., wall spackling, painting, cleaning, sanitizing.

2. Good – Unit requires some rehabilitation and modernization. Unit has minor visible defects. Repairs will not trigger code compliance for residential occupancy. Repairs may include replacement of doors and door hardware, light fixtures, replacement of damaged siding.
3. Fair – Unit has intermediate or major defects. Unit requires moderate rehabilitation and modernization. Addressing repairs for health, safe, energy efficiency, and sustainability would trigger code compliance.
4. Poor – Unit requires significant rehabilitation and modernization. Unit deficiencies in vital structural elements, either exterior or interior, would render the structure inadequate, detrimental, or unsafe. Code violations evident. If rehabilitation costs exceed Unit value, demolition and new construction required.

Addressing minor and major systems due to health, safety, energy efficiency, and or system integrity is necessary to make the Units marketable to existing housing residents and the wider market. These improvements are viewed as cost-containment measures for the purchaser that will achieve lower maintenance and replacement costs. Staff will conduct additional inspections and systems assessments between program application and sale date to ensure the housing quality standards are met.

Overall, it is important that the units be sold in “good condition” as opposed to an “as-is condition”. This will result in a longer useful life for the houses, fewer problems for the purchasers, reduction of any possible stigma of poor quality housing, and a better public perception of the H AFC’s Homeownership Program.

### **Lead-based paint**

As previously mentioned, addressing health and safety issues is a primary objective of H AFC’s rehabilitation plan. Lead-based paint may be an element to address in these Units. H AFC plans to assess each Unit for lead-based paint, and implement interim controls and safe work practices to remove the paint.

### **504 compliance**

Any family that purchases a Unit will have the option of making the Unit compliant with the Americans with Disabilities Act. When a prospective purchaser with known disabilities, or who has a family member with known disabilities, requires accessibility features, the features will be added as a reasonable accommodation.

### **Finances**

Cost estimates based on the provision of all labor, material, equipment, and required permits by a licensed contractor range between \$25,000 and \$35,000 with the average repairs around \$30,000.

Funding of rehabilitation work will be from a variety of sources including proceeds from sales of houses and capital fund grants.

Unless otherwise excepted, units will be sold in accordance with the Method of Sale Section in this plan.

**E. Purchaser eligibility and selection (24 CFR 906.11)**

*Purpose:* To provide HUD with an understanding of the PHA’s priorities for project purchasers and restrictions on purchaser eligibility.

*Instructions:* Complete the following information on purchaser requirements.

1. Purchaser eligibility.
  - a. Order of preferences for potential homebuyers
  - b. Replacement/maintenance reserve requirement (if applicable)
  - c. Fair Housing Marketing Plan (if applicable)
2. Selection criteria
  - a. Documentation of outreach
  - b. Description of application process
  - c. List of documentation needed from applicants
  - d. Clearly defined application review criteria
3. Restrictions
  - a. Prior homeownership (if applicable)
  - b. Occupancy requirement (principal residence)
  - c. HA certifies that applicants meets housing cost that does not exceeds 35% of income
  - d. Employment/credit requirements (if applicable)
  - e. Other (PHA determined restrictions)

\*Please note that the applicant's monthly payments for mortgage and housing expenses (i.e., principal and interest, taxes, insurance, maintenance, utilities and other regularly recurring homeownership costs (e.g., condominium fees) may not exceed 35% of the applicants adjusted income plus any other subsidy used for monthly payments.

Minimum purchaser income amount and percentage of AMI:	\$ <u>41,813</u> = <u>60%</u> (family of four)
Maximum purchaser income amount and percentage of AMI:	\$ <u>55,750</u> = <u>80%</u> (family of four)
Minimum downpayment amount or percentage of purchase price from purchaser’s own funds:	<u>1%</u> of sales price

**Describe process for purchaser eligibility.**

**Order of Preference for potential homebuyers**

H AFC plans to sell the Units according to the following order of preferences for potential Homebuyers:

- I. Existing residents that reside in Units that will be offered for sale for homeownership under the Section 32 plan who meet the qualification criteria established by H AFC;
- II. Other residents that reside in H AFC Public housing;
- III. Existing participants in the H AFC Housing Choice Voucher program;
- IV. Other interested and qualified applicants who are drawn from the homeownership program waiting list via a lottery system.

**Homeownership Counseling**

All homeowners under the homeownership program are required to undergo homeownership counseling. H AFC may provide counseling directly or contract with a certified housing counseling agency to provide counseling. Counseling sessions will focus on: early delinquency intervention and counseling, budget counseling, lender negotiations, and/or answers to foreclosure questions.

The goal of H AFC’s comprehensive homeownership program is to ensure that a family is able to keep their home once they move in. This continuum of services helps the purchaser to be successful. Owning a home provides security, a good place to raise a family, and helps build wealth. It is important for homebuyers to understand all of the issues and pitfalls before and after they purchase their home.

**Replacement Reserve**

Not Applicable

**Fair Housing Marketing Plan**

See Page 14 for a description of H AFC’s Fair Housing Marketing Plan

**Documentation of Outreach**

See Page 16 for a description of H AFC’s Documentation of Outreach

**Selection Criteria – Application Process**

1. All prospective purchasers must complete a H AFC Pre-Qualification Homeownership Questionnaire to determine their qualifications and eligibility.
2. A prospective purchaser of a Unit must be income eligible. The prospective purchaser’s income must be at 60% to 80% of AMI, based on household size. If the resident that is currently living in the Unit and will purchase the Unit is over 80% AMI, the maximum income requirement of 80% AMI is waived. If a prospective purchaser who is not currently residing in a Unit decides to purchase a Unit, the income requirement, of 80% of AMI applies.

3. A prospective purchaser must have a favorable credit score. HAFC will review the prospective buyer's credit report. Prospective purchasers with credit issues will be referred to a certified housing counseling agency for credit analysis and repair. The housing counseling agency will create an action plan that identifies the steps the prospective purchaser must take to qualify for a mortgage. HAFC will accept a credit report from within the past 90 days. The prospective purchaser must have a reliable source of income, evidenced for at least 12 months.
4. Prospective purchaser must meet the underwriting standards set by the private lender in accordance with the ratio requirements pertaining to income and debt. Income and recurring debts will be reviewed to determine if the prospective purchaser meet these ratios.
5. Prospective purchasers must contribute no less than one percent (1%) of their own funds towards the down payment a house. Prospective purchasers are permitted to use grants, gifts from relatives, contributions from private sources, and other similar sources for the remainder of the down payment. *HAFC will retain records verifying the source(s) of this one percent contribution.*
6. Prospective purchasers must be able to afford monthly mortgage payments including taxes, insurance, utilities, maintenance, and other fees associated with homeownership (e.g., association dues), not to exceed 35% of adjusted gross income.
7. The prospective purchasers must agree to participate in homeownership-counseling programs and must complete the programs as evident by a certificate of completion.
8. Prospective purchasers may have had prior homeownership but must not be current homeowners. This will be verified through information contained in the purchasers' credit report.
9. Each prospective purchaser must agree that the Unit will be the purchasers' principal residence.
10. List of Documentation that may be requested from prospective purchasers:
  - Social Security Card
  - Two most recent pay stubs
  - W-2/1099's from all employers
  - Signed personal federal tax returns
  - If self-employed, signed company federal tax returns including all schedules for the current and previous year.
  - If self-employed or commission, current (within past 3 months) year-to-date Profit and Loss Statements and Balance Sheets reviewed and signed by an accountant without audit
  - Award letter(s) or most current amendment for social security or retirement benefits. Include proof of payment (direct deposit or check stub).
  - Rental agreements/leases
  - Proof of consistent receipt of child support and alimony if considered qualifying income.
  - In lieu of traditional credit history, provide utility bills, evidence of rent payments, etc.
  - Proof of Identity e.g. driver's license, passport (something with a picture)

11. All prospective purchasers must execute a Participation Agreement, which will detail the exact requirements of the homeownership plan.

The HAFC Pre-Qualification Homeownership Questionnaire will determine an applicant's qualifications and eligibility based on three criteria:

- employment (income stability),
- credit history,
- and cost of Unit (affordability).

Employment, credit history, and unit cost are important criteria in determining eligibility and mortgage capacity to purchase a Unit. If prospective purchasers do not have steady employment, and demonstrate good debt management, it is difficult for them to qualify for mortgages. Although HAFC will provide gap financing in the form of a silent second mortgage to make the Units affordable, residents will have to qualify for a first mortgage with a private lender.

For unfavorable information with respect to a prospective purchaser, consideration will be given to the time, nature, and extent of the prospective purchaser's conduct and to factors, which might indicate a reasonable probability of favorable future conduct or financial prospects.

Final determination of eligibility shall rest with the private lender that provides permanent financing to the prospective purchasers. The prospective purchaser will have to meet the credit and income requirements of the lender. All prospective purchasers will be referred to a homebuyer education classes and when applicable, counseling classes for credit analysis and repair.

### **Application Review Criteria**

The screening process for HAFC's Homeownership Program consists of taking a prospecting purchasers through four steps:

1. Informing existing residents of program startup and implementation
2. An intake and pre-screening system for interested purchasers
3. A housing counselor will meet with the prospective purchaser to review their application and answer questions. The housing counselor will inform the prospective purchaser about the program, qualification guidelines, proposed timelines, documents required, services to be provided, and expectations. The housing counselor will perform a preliminary assessment based on income and employment to determine whether prospective purchaser qualifies to purchase a Unit.
4. A file for each prospective purchaser will be created and continually updated, as necessary.

Notification of purchase opportunities will be mailed or distributed to each group of eligible purchaser according to the priority assignment stated in this application.

If existing purchaser of selected Units to be sold are interested in owning the Units and qualify based on established standards, they will be given first preference for purchasing the Unit.

Questionnaires will be mailed to existing residents or can be emailed or picked up at HAFC's offices. Applications will only be accepted through the homeownership portal or HAFC central office. Applications from existing residents interested in purchasing a Unit will be handled separately from applications for other HAFC programs. Application for homeownership will not affect an applicant's place on any other HAFC waiting list for rental Units.

A wait list for the program will be established and applications will be accepted during a specified window of time. Once that window has closed, HAFC will process applications via a computerized lottery system. HAFC will administer the homeownership program but will have cooperative agreements with various local agencies to assist with financing and with homeownership education activities.

HAFC and its contract agents will conduct the screening of all applicants drawn from the wait list and determine basic eligibility according to the Homeownership Plan.

HAFC will stop drawing from the wait list once all units marked for sale have been occupied by potential buyers. The Homeownership program will end when all homes have been sold.

HAFC will establish a formal in-house referral and homebuyer follow-up system to ensure that existing residents currently residing in proposed homeownership units are guided on the right path to achieve homeownership. The following are the recommended steps for the program:

1. HAFC staff will assess the income threshold of an existing resident to determine whether the resident meets the requirements for homeownership. If the resident meets the minimum threshold, he or she can proceed to purchase their Unit.
2. The existing resident will meet with credit counselors for credit and income analysis to determine eligibility and mortgage qualification. A savings and or credit repair plan will be created with input from the existing resident. The existing resident must sign a contract that commits the existing resident to follow the credit repair plan. Given the individual and particular needs of each existing resident, a homebuyer education tract will be developed for each existing resident.
3. HAFC will establish a follow-up system with credit counselors to receive status reports on each existing resident. Reports would include residents-seen, results of interviews, action taken, estimated timetable for eligibility, actions required by existing residents, and date of next interview or class. A follow-up letter will be sent to existing residents reminding them of their responsibilities to the process and offering any assistance.

4. When the existing resident is ready for loan and subsidy applications, he or she will be referred to lenders and subsidy sources that are providing mortgages and homebuyer subsidies for the project.
5. Upon receipt of loan approval, the resident will inspect the house with the contractor and a HAFC representative and close on the loan.

**Describe priorities for selection of purchasers (e.g. residency).**

*The priority for selection of purchaser is as follows:*

- I. Existing residents that reside in Units that will be offered for sale for homeownership under the Section 32 plan who meet the qualification criteria established by HAFC;
- II. Other residents that reside in HAFC Public housing;
- III. Existing participants in the HAFC Housing Choice Voucher program;
- IV. Other interested and qualified applicants who reside in Fresno County and are drawn from the homeownership program waiting list via a lottery system.

**Describe income tiering structure for eligible program purchasers (if applicable). How many homes will be set-aside for each tier?**

*There is not a tiering structure for this program*

**Describe any additional requirements (including housing quality standards for soft second mortgage or acquisition sale programs).**

*There are no additional requirements for this program*

**Does the plan allow for participation by families not currently residing in public housing or receiving Section 8 assistance? Yes  No**

(If Yes, include an affirmative fair housing marketing strategy. Specifically, this strategy should describe how the PHA (or PRE) will inform non-public housing, income-eligible households of their eligibility to apply, and make special outreach to solicit applications from those in the housing market who are least likely to apply).

**Fair Housing Marketing Plan:**

HAFC's Affirmative Action Plan for Housing Operations states:

It is the policy of FH to comply fully with all Federal, State, and local nondiscrimination laws and with rules and regulations governing Fair Housing and Equal Opportunity in housing and employment. FH will comply with all laws relating to Civil Rights, including:

- Title VI of the Civil Rights Act of 1964
- Title VIII of the Civil Rights Act of 1968 (as amended by the Community Development Act of 1974 and the Fair Housing Amendments Act of 1988)
- Executive Order 11063
- Section 504 of the Rehabilitation Act of 1973
- The Age Discrimination Act of 1975
- Title II of the Americans with Disabilities Act (to the extent that it applies, otherwise Section 504 and the Fair Housing Amendments govern)
- The Violence Against Women Reauthorized Act of 2013 (VAWA)
- The Equal Access to Housing in HUD Programs Regardless of Sexual Orientation or Gender Identity Final Rule, published in the Federal Register February 3, 2012 and further clarified in Notice PIH 2014-20.
- Any applicable State laws or local ordinances and any legislation protecting individual rights of residents, applicants or staff that may subsequently be enacted.

When more than one civil rights law applies to a situation, the laws will be read and applied together.

FH shall not deny any family or individual the opportunity to apply for or receive assistance under the Homeownership Program on the basis of race, color, sex, religion, creed, national or ethnic origin, age, family or marital status, handicap or disability, gender identification, or sexual orientation. To further its commitment to full compliance with applicable Civil Rights laws, FH will provide Federal/State/local information to interest families regarding "discrimination" and any recourse available to them if they are victims of discrimination. Such information will be made available during the family briefing session, and all applicable Fair Housing Information and

Discrimination Complaint Forms will be made a part of the intake process. Except as otherwise provided in 24 CFR 8.21(c)(1), 8.24(a), 8.25, and 8.31, no individual with disabilities shall be denied the benefits of, be excluded from participation in, or otherwise be subjected to discrimination because FH's facilities are inaccessible to or unusable by persons with disabilities. Posters and housing information are displayed in locations throughout FH's office in such a manner as to be easily readable from a wheelchair. FH's central office is accessible to persons with disabilities. Accessibility for the hearing impaired is provided by the TDY telephone service provider.

For both residents and non-residents, HAFC will employ a very comprehensive affirmative fair housing marketing strategy.

Using demographic and income data, HAFC devised a marketing strategy that focuses on traditional marketing techniques but also on building the capacity of potential purchasers. Traditional marketing techniques will be used to attract purchasers to the program. Capacity building activities such as credit counseling, credit repair, and financial management will be provided to prospective purchasers who have the income to purchase a Unit but lack the credit or are inhibited by other factors that prevent them from purchasing their first home.

### **Traditional Marketing Activities**

HAFC will conduct Homebuyer Information Sessions on a regular basis. The sessions will be general information sessions that will give people the opportunity to learn about the homeownership program. HAFC will advertise and promote its homeownership program through media outlets by utilizing the agency's website and social media outlets, as well as site-based flyers to ensure that public and non-public housing residents and income-eligible households are aware of their eligibility to apply. HAFC's strategy will ensure that advertisements are placed in media outlets that cater to different ethnic communities and families as well as to people with disabilities.

All of HAFC's marketing strategies will adhere to all fair housing laws and incorporate the regulations into the homeownership program. HAFC will not discriminate according to race, color, creed, gender, disability, national origin, or any other state or federally protected class in the administration of the homeownership program.

### **Documentation of Outreach:**

Documentation regarding HAFC's marketing efforts will be collected as evidence of HAFC's outreach efforts. HAFC will have a physical or digital sign-in sheet that will ask attendees to provide their name, address, and telephone number. The sheet will also ask attendees to state how they heard about meetings. The documents used at the meeting including, but not limited to, the agenda, presentation information, meeting minutes, and follow up information will be kept by HAFC.

## F. Sale and Financing

### Gains from Appreciation

*Purpose:* To determine if the PHA's provisions (where applicable) adequately protect the PHA's investment in the homeownership project.

*Instructions:* If a PHA is writing down the cost of construction (e.g., the construction cost exceeds the sale price/appraised value), it must consider a provision in its homeownership project to recapture all, some or none of the gains from appreciation. This provision limits the amount the subsidized original purchasers can realize due to appreciation of the property upon sale for a period of time, and is generally recorded in a deed restriction. The PHA's recapture policy on appreciation may range from no recapture to recapture of total appreciation. This provision only applies to the sharing of sale proceeds and does not address the recapture of financing that the PHA may elect to provide directly to a purchaser.

**If applicable, describe how the PHA will treat the gain upon resale that the subsidized buyer can realize due to appreciation of property.**

#### **H AFC Recapture Policy – Appreciation**

H AFC will recapture a percentage of the gain from appreciation if the Unit is resold within five years of initial sale at a rate of 20% per year. H AFC will not recapture any gain from appreciation if the Unit is sold in the sixth year and thereafter. This provision will be recorded as a deed restriction. H AFC calculates the recapture schedule below:

#### **Rate of Recapture:**

<b>Year of Resale</b>	<b>Rate of Recapture</b>
Within 1 year	100%
2 years	80%
3 years	60%
4 years	40%
5 years	20%

### Recapture Provisions

*Purpose:* To determine if the proposed recapture provisions (where applicable) are appropriate for the target purchasers, are coordinated with direct financing terms of local partnering affordable homeownership programs, and adequately protect the PHA's and purchasers' investments in the homeownership project.

*Instructions:* The PHA must set a policy regarding recapture upon resale of government-provided assistance and/or direct financing made to the purchaser to the extent that there are net proceeds. This includes the PHA downpayment, closing cost assistance, subordinate mortgage financing, or

below-market financing (e.g., sale of the unit for less than appraised value of the home). However, this policy may range from no recapture of assistance to full recapture of assistance.

**If applicable, describe the terms of the direct financing to purchasers and terms of recapture. Describe also the method of recapture (e.g., via a promissory note). If the PHA chooses to forgive the direct financing over time, fill out the table below as applicable. (Table may be modified to reflect longer-term or shorter-term forgiveness schedule).**

**H AFC Recapture Policy – Subsidy**

Upon resale of a unit, it is H AFC’s policy to recapture any assistance and/or direct financing provided by H AFC to the purchaser of the Unit to the extent that there are net proceeds.

H AFC will forgive at a rate of ten percent per year up to 10 years any assistance provided which may include, but is not limited to, the down payment, closing cost, or below-market financing strategies to the extent that there are net proceeds. This provision will be recorded as a deed restriction.

<b>Year of Resale</b>	<b>Rate of Forgiveness</b>
0	0%
1	10%
2	20%
3	30%
4	40%
5	50%
6	60%
7	70%
8	80%
9	90%
10	100%

The silent second mortgage will be structured as a Promissory Note and Deed of Trust. The note will state that the purchaser will be liable for the difference between the first mortgage amount and the sales price, which is based on the market appraisal of the Unit. The amount that is covered under this promissory note will be recorded as a lien on the Unit in second position.

Upon resale of the Unit, the purchaser must pay the outstanding balance of the second mortgage to H AFC, in accordance with the forgiveness schedule.

By placing restrictions on resale in cases where purchasers are receiving financial assistance, H AFC seeks to limit the possibility of windfall profits and encourage purchasers to build value in their homes.

The second mortgage resale restriction requirements include, but are not limited to the following:

1. The Unit must remain the homebuyer’s principle residence.

2. The purchaser must meet all conditions of the first mortgage and any secondary mortgages.
3. The purchaser must maintain the Unit.

In cases where there is a second mortgage held by HAFC, HAFC reserves the right to periodically verify that the purchaser is occupying and adequately maintaining the Unit.

### **Resale Restrictions**

Within the terms of the sale of the Unit HAFC will retain the right of first refusal to buy back a Unit at market value.

**If there is additional direct financing from participating local affordable homeownership program partners, briefly describe the terms of their direct financing and amount of direct financing per purchaser. Describe how the PHA's direct financing terms coordinate with the local program partners' financing terms.**

#### **Financing plan**

The success of this project rest on its marketability and financial feasibility. HAFC currently owns the units and will use its own public housing operating and capital funds to complete minor rehabilitation and soft costs. In addition, purchasers own funds and subsidy sources must be available to buyers to pay for the Unit.

#### **Purchase Prices**

Based on some preliminary estimates, HAFC anticipates that the price range for these Units will vary from \$215,000 to \$275,000 with the average Unit selling for \$250,000. Prospective purchasers are required to obtain a first mortgage from a private lender. A variety of lenders will be available to provide first mortgage financing to the prospective purchasers under this program. Units will be sold at their fair market value as determined by a licensed appraiser. HAFC researched comparable houses in the areas in which these Units are located to determine Unit values.

#### **Down Payment, Closing Costs**

Prospective purchasers are responsible for down payment and closing costs. A down payment cost typically is 5% of the sales price of the Unit and closing costs typically average from two to five percent. The prospective purchasers must provide at least one percent of down payment cost from their own funds.

#### **Subsidy Financing and Homebuyer Assistance**

Subsidy financing will be available from multiple sources. Prospective purchasers may be eligible to receive down payment assistance, closing costs assistance, individual development account matching grants and gap financing if they meet the programs' various guidelines, complete counseling requirements, and are mortgage ready. HAFC will collaborate with private lenders and home counseling agencies that receive these types of subsidies to help purchasers afford the Units. The main sources of subsidy HAFC will pursue are Affordable Housing Program (AHP) funds, HOME funds, local homebuyer assistance program funds and available public housing capital funds.

### **H AFC Equity (Gap Financing – H AFC Silent Second Mortgage)**

To close the gap for the amount a prospective purchaser qualifies for and the selling price of a Unit, H AFC will utilize its equity position as a source of financing to make the Units affordable. H AFC will provide up to 20% of sale cost as a silent second mortgage. A Promissory Note and Deed of Trust will secure the silent second mortgage for a period of ten years. Liability under the grant would be reduced by ten percent for each year that the prospective purchasers maintain the Unit as their primary residence. If the prospective purchaser sells or rents the Unit prior to the end of the period, the remaining unreleased portion of the grant will be payable to H AFC from the proceeds of the sale or is due upon rental or other transfer of the Unit.

The silent second mortgage will be determined on a case-by-case basis based on the particular purchaser's affordability.

Subsidies and special programs, regardless of their source, have income eligibility limits, and restrictions. The income requirements differ from source to source but typically favor low and moderate-income households according to family size as determined by federal and state annual guidelines. It is H AFC's intention to use these sources of funding to create homeownership opportunities for residents of Fresno. Prospective purchaser in need of such assistance would have to demonstrate eligibility in accordance with the requirements of the applicable program.

The following table illustrates the various subsidies H AFC plans to use for this project based on the financial plan.

### **Commitment from fund providers in place**

H AFC will use program income and capital funds to complete minor rehabilitation on the existing units.

H AFC Equity – program income and available capital reserves. - H AFC 20% sale cost flexible gap financing to assist home purchase. H AFC has 100% equity on all the Units located in this project. The gap financing is an overall strategy to assist homebuyers who will need closing cost and down payment assistance as well as gap financing for the Unit if the amount of mortgage they are eligible is insufficient for the Units they are capable of purchasing. The flexible gap financing is a second source finance if other grants or subsidies are not available.

House Cost	\$275,000
Buyers Affordability	\$220,000
Interest Rate, 30-Year Mortgage	3%

**Funding Needs**

GAP	\$55,000
Closing Cost	\$5,500
Total Funds/Subsidy Needed (GAP)	\$60,500

**Funding Obtained**

3rd Party Down Payment Assistance (3.5%)	\$9,625
HACF Down Payment Assistance (Soft 2nd Mortgage)	\$50,875
Total Funds/Subsidy Obtained (GAP)	\$60,500

**G. Consultation with residents and purchasers**

*Purpose:* To inform HUD of compliance with the resident consultation requirements of the PHA Plan.

*Instructions:* **If the PHA intends to sell existing public housing, provide a narrative description of input obtained during the resident consultation process for planning, as well as a plan for consultation with purchasers during the implementation stage.**

In compliance with 24CFR 903.17(a)(b)(1)(2)(c)H AFC at its 2021 PHA Plan Public Hearing on 9/28/2021, H AFC described this homeownership program.

**Consultation with Residents and Purchasers During Implementation Phase**

Ongoing homeownership information sessions will be held for those purchasers who are interested in purchasing one of the Units that are being sold by H AFC. The information meetings will be held to answer questions in a group setting. These meetings will provide an avenue to update existing residents and prospective purchasers during the implementation of the program as well as serve a marketing avenue.

H AFC believes that consulting with existing residents and prospective purchasers is an excellent venue for information gathering. The consultation process will also be a way of conducting marketing and outreach for the program. Information garnered from the consultation and input process with existing residents and prospective purchasers will be a key factor in determining the need for and interest in H AFC’s homeownership program. The consultation will help shape program design, amenities, timing, and the

need for complementary programming (e.g., credit counseling, homeownership training, property maintenance training, etc.). This feedback also aids the assessment of the overall feasibility of the program, the likely absorption rate of units sold, and the identification and targeting of likely prospective purchasers.

## **H. Counseling for Purchasers**

*Purpose:* To provide HUD with information regarding the homeownership counseling program requirements and the PHA's counseling implementation plan.

*Instructions:* Complete the following questions on the homeownership counseling agency and program.

*Note:* The budget should include funds for the homeownership counseling program.

### **Statement describing need for counseling**

As many prospective purchasers within HAFC's homeownership program will be first-time homebuyers, pre homeownership counseling will help these buyers have the proper knowledge and education to become successful homeowners. Homeownership counseling is also necessary for prospective purchasers who were prior homeowners as this will better equip them with the necessary financial knowledge and education required of successful homeownership.

### **Name of Counseling Agency and Description of the Agency's experience in the community.**

California Housing Finance Agency (**CalHFA**). For more than 40 years, the California Housing Finance Agency (CalHFA) has supported the needs of renters and homebuyers by providing financing and programs so more low to moderate income Californians have a place to call home. Established in 1975, CalHFA was chartered as the state's affordable housing lender. The Agency's Multifamily Division finances affordable rental housing through partnerships with jurisdictions, developers and more, while its Single Family Division provides first mortgage loans and down payment assistance to first-time homebuyers.

Community Housing Council of Fresno (**CHC**). The Community Housing Council of Fresno was established by a group of individuals from the local real estate community in 1994. Their purpose has always been to encourage homeownership through education and counseling. Today CHC seeks to continue this tradition, as well as provide outreach to new and current homeowners in the Central Valley.

### **Describe the curriculum and scope of services for the agency under this homeownership proposal.**

California Housing Finance Agency (**CalHFA**). CalHFA provides homeownership education to renters and first-time homebuyers through their Homebuyer Education course. Completion of the course is required from first-time homebuyers using CalHFA

programs. After completing the course, homebuyers discuss their situation with one of CalHFA's homeownership advisors and are able to print out their Homebuyer Education Certificate.

Community Housing Council of Fresno (**CHC**). The Community Housing Council offers HUD-approved home buyer education two ways, either through attending a live 8-hour class held in Fresno, CA classroom or through an online course. The CHC also offers training in Spanish to meet the needs of Fresno residents.

**Describe the PHA's strategy to assist prospective homebuyers in accumulating their initial downpayment. Does the PHA's strategy include a Family Self-Sufficiency (FSS) escrow account or an Individual Development Account (IDA)?**

H AFC will honor the initial down payment reserves accumulated from families who currently participate in the current Section 5(h) homeownership program.

New purchasers are responsible for down payment and closing costs associated with their purchase. H AFC's strategy is to assist prospective homebuyers in accumulating their initial down payment and closing costs. This will be accomplished by seeking and facilitating applications for down payment and closing cost assistance from federal, state, and local agencies. H AFC will also provide flexible gap financing as a silent second mortgage. The silent second mortgage will not exceed 20% of the purchase price and can be used for down payment assistance, closing cost or to close the gap between the cost of the Unit and purchaser's affordability. This silent second mortgage is available to current and new participating families.

Purchasers are required to use their own funds to contribute 1% of the sales price of the Unit towards their down payment.

**Describe the PHA's strategy to ensure that all prospective homebuyers have steady employment and adequate income to support homeownership costs.**

The strategy to ensure that all prospective homebuyers have steady employment and adequate income to support homeownership costs will be achieved through the pre-screening process. A requirement for home purchase requires adequate work history, sufficient income, and good credit scores. H AFC and its partners will ensure that these three criteria are met for a buyer to purchase a home.

Moreover, prospective purchasers can be referred to a local workforce development agency, such as Fresno Economic Opportunities Commission (Fresno EOC) or Workforce Connection. These agencies offer learning opportunities in several formats to support existing residents by enhancing their skills and knowledge to advance in their current jobs or to position themselves for better career opportunities and self-sufficiency. Programs and services include:

- Local Conservation Corps (LCC);
- Job Readiness & Skill Enhancement Workshops;
- Job Placement Assistance;
- Summer Internship Program;
- Valley Apprenticeship Connections (VAC); and
- Workforce Connection Young Adult Program

In addition, the organization Faith and Finance provides financial literacy trainings for community facilitators, such as HAFC, with the purpose of adequately equipping members of the community with the necessary skills to hold their own financial literacy classes. HAFC has previously partnered with Faith and Finance to provide financial literacy training at three affordable housing properties.

**Describe the role of Housing Choice Vouchers in your homeownership strategy, if applicable.**

Not Applicable

### **I. Non-purchasing residents**

*Purpose:* To provide information relative to the handling of displacement of residents that declines the right of first refusal for sale of their unit.

*Instructions:* Please provide description of plan for working with non-purchasing residents of Public Housing Units, including, notification/counseling of rights, right of first refusal, and relocation assistance.

**Is the PHA selling ACC Units?** Yes  No

This is not applicable to the program as none of the public housing units under this program are currently occupied.

### **J. Sale proceeds**

*Purpose:* To determine if the PHA is in compliance with the restriction of use of resale proceeds and fees to further low income housing.

*Instructions:* Sales proceeds are defined as proceeds realized by the owner entity/developer from the sale of homeownership units after the payments of the construction loan(s), the developer fee, and all other project costs have been satisfied. Answer the following questions in narrative form for the proposed homeownership project. Please include the Goals, Eligible uses, and Method for recycling funds. If the homeownership plan utilizes a PRE, the PHA may opt to have the PRE return sale proceeds to the PHA or permit the PRE to use them for low-income housing purposes.

**After payment of all expenses, how are sale proceeds distributed?**

H AFC plans to use sale proceeds of the Units to support its various initiatives to create additional affordable housing opportunities. Use of the proceeds will include, but is not limited to:

1. Acquisition, rehabilitation, demolition, and construction of affordable housing **90 percent**
2. Administrative costs for H AFC **10 percent**

Complete the following table to indicate what fees (e.g., developer fee, loan administration fees, counseling agency fees, etc.), if any, are to be paid to the PHA or PHA affiliate.

Type of Fee/Description	Amount
H AFC will charge an administrative fee of 10% of the sale price of each home to cover the cost of administering the Homeownership Program	10%

**What are the expected sources of project income (e.g., repayments of loans, PHA development fees, etc.) and what is the PHA’s planned use for this project income?**

The expected source of project income is the sale of Units to prospective purchasers. All sources of project income will be used to further H AFC’s mission of providing quality affordable housing to income eligible households. Project income is also generated from the repayment of the second mortgages, if the purchaser decides to sell the Unit before the termination of the five-year term of the second mortgages.

## **K. Records, Accounts, and Reports**

*Purpose:* To determine the PHA has policies for retaining documentation of unit sales and compliance with program requirements.

*Instructions:* The plan must provide a description of the PHA's (and PRE's, if applicable) record-keeping, accounting, and reporting procedures that will be used. Please include a description of record keeping process by PHA relative to administrative records, records of the purchase, financial records, as well as, a plan for annual report on sales to HUD/PIC and in the Annual Plan.

All official records generated or received by HAFC in connection with the homeownership activities set forth herein will be managed and controlled as mandated by law in the California Public Records Act of 1968 (the "Act") and in accordance with published guidance provided by the California Legislature. HAFC is committed to providing an economical and efficient management program for the creation, control, retention, maintenance, preservation, security, and disposition of its public records, regardless of media type.

By Sections 6253.4 authority has been set forth for all agencies of the State of California to adopt regulations stating the procedures to be followed when making its records available in accordance with this section. The California Legislature is authorized to provide general policy and procedures to state and local agencies to establish and implement their individual agency records management programs.

HAFC will be responsible for the maintenance of all records, including sale and financial records for all activities related to the implementation of this plan once approved by HUD. Until all planned sales of the Units have been completed, HAFC will submit annual sales reports as prescribed by HUD. The receipt, retention, and expenditure of sales proceeds will be covered in the regular independent audits of HAFC's public housing operations and supplementary audits that HUD may find necessary for monitoring purposes. All books and records shall be subject to inspection and audit by HUD and the General Accounting Office.

Every subsequent HAFC Annual Plan will include a list of homes sold annually as well as homes remaining under the homeownership program.

## **L. Budget (see attached Sources and Uses at the end of this application)**

## **M. Timetable**

*Purpose:* To provide HUD with a timeframe for project performance, progress and completion.

*Instructions:* Please fill in the date range of activities including activities for the first unit and activities for the last unit. For example, if the PHA is acquiring units,

the first unit will be acquired on 12/04 and the final unit will be acquired 12/05, the range would be 12/04 through 12/05. If a specific milestone does not apply to the proposed program, please check the box labeled N/A.

	<b>Activity</b>		<b>Date</b>
1	Resident Meetings and other consultations	N/A <input type="checkbox"/>	07/21 – 09/21
2	When each source of funding will be secured	N/A <input checked="" type="checkbox"/>	
3	Units to be acquired	N/A <input checked="" type="checkbox"/>	
4	Units to be Rehabilitated	N/A <input type="checkbox"/>	06/21 – 03/22
5	Units to be sold	N/A <input type="checkbox"/>	01/22 – 12/23
6	Marketing and outreach process	N/A <input type="checkbox"/>	07/21 – 12/22
7	Duration of counseling and training	N/A <input type="checkbox"/>	01/22 – 12/23

## II. SUPPORTING DOCUMENTATION

In accordance with 24 CFR Part 906.40, PHAs submitting a Section 32 homeownership plan should provide HUD the following supporting documentation:

### A. PRE

If the PHA is utilizing a PRE, the plan should include the following:

- Organizational documents of the PRE;
- Regulatory and Operating Agreement between the PHA and PRE regarding the provision of operating subsidy and operation of public housing units prior to sale of the units to purchasers;
- Management agreement and plan;
- Financing documents (if any);
- Operating pro forma describing use of operating subsidy during period of PRE's ownership;
- Mixed-finance ACC Amendment governing these units;
- Deed restriction or covenant running with the land assuring that the PRE will operate the units in accordance with public housing laws and regulations including 906.19 of Section 32 regulations;
- Bond for repairs or proof of insurance to cover any damage to the property during the period of PRE ownership and operation; and
- Any other materials required by HUD.

Not Applicable

**B. Feasibility statement.** A Feasibility Tool set of spreadsheets is available on the SAC website.

Feasibility Tool Spreadsheet is attached

**C. Legal opinion.**

Legal review in progress.

**D. Board resolution.**

Board Resolution to be completed

## **C. Certifications.**

## **D. PHA Performance in Homeownership**

In 1992, the Housing Authority of Fresno County created a homeownership program for residents residing in public housing called the Homeownership Opportunities Program (HOP) under Section 5(h) of the 1937 Housing Act. The program was approved by HUD in the same year.

The purpose of the HOP program was to provide homeownership opportunities to residents living in public housing. In order to qualify for the program, the potential homebuyers had to meet certain income qualifications and would pay rent to the Housing Authority in an amount no greater than 30% of their income. From the monthly rental payments, the Housing Authority would contribute a certain dollar amount to a reserve account, which would be saved for the eventual purchase of the home. The resident gets the benefit of accumulating the reserve on the assumption that they will perform routine maintenance on the home, thereby saving the Agency the cost of those repairs. The homebuyer would take title to the home when they were able to finance a private mortgage or pay in full the balance of the purchase price.

These programs were very successful for the Agency and for the homebuyers. By 1992, approximately 61 homes were purchased for the County program. As of 2021, 56 properties were sold to qualified homebuyers, generating over \$4 million dollars in program income to the Agency. These sales proceeds were subject to the requirements of 24 CFR Part 906.15 and HUD Section 5(h) for the intended use in connection with any type of Federal, State, or local affordable housing programs. In 2010, the HOP sales proceeds were transferred to the Housing Relinquished Fund Corporation (HRFC), a wholly owned and operated subsidiary of the Housing Authority, and have since been leveraged several times over for the creation of almost 2,000 new affordable housing units at over 30 properties across Fresno County.

**E. HAFC's plan to deal with Section 8(y) subsidy expiration prior to mortgage maturity**

Not applicable

**F. Other information.** Any other information as may be reasonably required for HUD review of the program.