

CalHome Program Guidelines



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ATTACHMENT 1

CALHOME PROGRAM GUIDELINES

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Article 1. General

Section 7715. Purpose and scope.

- (a) These guidelines implement and interpret Chapter 6 (commencing with Section 50650) of Part 2 of Division 31, Health and Safety Code (HSC), which establishes the CalHome Program administered by the California Department of Housing and Community Development (the "Department") and Chapter 365 (commencing with Section 54000) of Part 16 of Division 31, HSC.
- (b) These guidelines establish terms, conditions and procedures for the award and disbursement of funds allocated to the CalHome program pursuant to HSC Section 54006(g).
- (c) These guidelines apply only to funds made available through HSC Section 54006(g) and do not apply to funds made available to the CalHome program authorized by Chapter 6 (commencing with Section 50650) prior to the adoption of HSC Section 54006(g).

NOTE: Authority cited: Sections 50406(n), 50650.2, 50650.7, and 54014, HSC.
Reference: 50650.3, 50650.4, 50650.5, 50650.7, and 54006(g), HSC.

Section 7716. Definitions.

In addition to the definitions found in Chapter 2 (commencing with Section 50050) of Part 1 of Division 31 of the HSC, the following definitions shall apply to this subchapter. References to code sections refer to the sections of these guidelines unless otherwise noted.

- (a) "Accessory Dwelling Units" ("ADUs") shall have the same meaning as defined by paragraph (4) of subdivision (i) of Government Code (GC) Section 65852.2.
- (b) "Activity Delivery Fees" ("ADFs") are reasonable and necessary costs incurred by the Applicant and associated with the financing, or development (or both) of activities assisted with CalHome program funds. ADFs directly related to a specific activity are not part of the general administrative costs. The Fee is to defray such costs as: adequate inspections to ensure that work write-ups for contractor bid purposes are professionally done and accurately reflect required rehabilitation work; overseeing the bid process and ensuring that only qualified contractors are selected; inspecting completed work for deficiencies; or arranging for qualified architectural or engineering work as may be required. The maximum ADF amounts shall be published in the NOFA. This amount is payable to the Recipient in the form of a Grant and the amount is not included in the Borrower's Loan amount.
- (c) "Administrative Subcontractor" means any entity or individual which contracts with the CalHome program Recipient to provide any portion of administrative services to the local CalHome program activity. Individuals or groups that are

acting in the capacity of developer or owner of a project shall not act as Administrative Subcontractor for the activity.

- (d) "ADU/JADU Program" means funds are provided to a Locality or Nonprofit Corporation to administer a program to fund the construction, reconstruction, repair, or Rehabilitation of ADUs or Junior Accessory Dwelling Units (JADUs). The Eligible Household is allowed, if assisted through a CalHome program ADU/JADU Program, to rent or lease an ADU or a JADU unit.
- (e) "Affordable" as it describes a specific financial obligation, means that obligation can be paid by the person or Household, along with all of other financial responsibilities, without endangering the financial stability of the Household.
- (f) "After-Rehabilitation Value" means the appraised value of the property including completed Rehabilitation work.
- (g) "Annual Income" means all income as defined in 24 Code of Federal Regulations (CFR), Part 5, Section 5.609 (see Income Calculation and Determination Guide for Federal Programs, Chapter one, Chapter two, and Chapter three). ADU- or JADU-related income will be exempt from the Annual Income calculation.
- (h) "Applicant" is the Locality or Nonprofit Corporation, which submits an application to the Department to operate a Local Program, develop a Homeownership project, or provide Self-Help Technical Assistance to a Homeownership project.
- (i) "Assisted Units" means units purchased or rehabilitated with a Loan funded pursuant to this subchapter. Assisted Units shall also include units occupied by a Seeker successfully matched to a Homeowner Provider under a Shared Housing Local Program or a Household provided with Self-Help Technical Assistance in a project funded pursuant to this subchapter.
- (j) "Back-End Ratio" means the ratio between monthly Household income and Monthly Housing Costs plus all payments on long-term installment debt.
- (k) "Borrower" means a Homebuyer(s) or existing Homeowner(s) who has or will receive a CalHome program Loan made from a Local Program funded pursuant to this subchapter, signs the promissory note, and is or will be the Homeowner of the property being financed.
- (l) "Community Revitalization" A program or project will be considered to contribute towards Community Revitalization if all units to be assisted with CalHome program funds are, or will be, located within a federal Promise Zone or a Choice Neighborhood Initiative Area or an Opportunity Zone.
- (m) "Construction Skills Training Program" means an existing program that trains youth 16 to 24 years old in construction skills.

- (n) "Department" means the Department of Housing and Community Development.
- (o) "Developer" means a Locality or Nonprofit Corporation that owns the project land, obtains the project financing and develops the Homeownership Development Project.
- (p) "Developer Borrower" means a Developer who receives a CalHome program Loan pursuant to this subchapter for the development of a project involving multiple Homeownership units.
- (q) "Elderly" means the same as defined in HSC, Section 50067.
- (r) "Eligible Household" means a Lower- or Very Low-Income Household at or below Moderate-Income Household that is a victim of a disaster as defined in HSC, Section 50650.3 that is:
 - (1) A First-Time Homebuyer;
 - (2) An existing owner-occupant of property in need of Rehabilitation, including construction, repair, reconstruction, or rehabilitation of an ADU or a JADU;
 - (3) A Homeowner participant in a Shared Housing Local Program; or
 - (4) A First-Time Homebuyer participant in a Self-Help Construction project.

The Eligible Household shall occupy, or intend to occupy, the property as their principal residence and shall not lease or rent the property (except in the case of a Homeowner Provider assisted through a CalHome program Shared Housing program in renting a room in their home to a Seeker or in the case of an owner-occupant assisted through a CalHome program ADU/JADU Program in renting an ADU or a JADU unit).

- (s) "First-Time Homebuyer" means a Borrower(s) who has not owned a home during the three-year period before the purchase of a home with CalHome program assistance, except that the following individual or individuals may not be excluded from consideration as a First-Time Homebuyer under this definition:
 - (1) A displaced homemaker who, while a homemaker, owned a home with his or her spouse or resided in a home owned by the spouse. A displaced homemaker is an adult who has not, within the preceding two years, worked on a full-time basis as a member of the labor force for a consecutive twelve-month period and who has been unemployed

or underemployed, experienced difficulty in obtaining or upgrading employment and worked primarily without remuneration to care for his or her home and family;

- (2) A single parent who, while married, owned a home with his or her spouse or resided in a home owned by the spouse. A single parent is an individual who is unmarried or legally separated from a spouse and has one or more minor children for whom the individual has custody or joint custody or is pregnant; or
- (3) An individual or individuals who owns or owned, as a principal residence during the three-year period before the purchase of a home with CalHome program assistance, a dwelling unit whose structure is:
 - (A) Not permanently affixed to a permanent foundation in accordance with local or state regulations; or
 - (B) Not in compliance with state, local, or model building codes and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure.
- (t) “Front-End Ratio” means the ratio between monthly Household income and Monthly Housing Cost, including first mortgage principal, interest, taxes and insurance.
- (u) “Grant” means an award of funds made from the Department to eligible Localities or Nonprofit Corporations to operate Local Programs or to provide Self-Help Technical Assistance to a project pursuant to this subchapter. In the case of a development Loan, the portion of that Loan which is used to provide Mortgage Assistance to qualified First-Time Homebuyers is converted to a Grant.
- (v) “Homebuyer Education” means a specific course of instruction, designed pursuant to Section 7722, to educate First-Time Homebuyers regarding various aspects of purchasing and maintaining a home.
- (w) “Homeowner Provider” means a Low-Income person(s) currently residing in a home they own and occupy as a principal place of residence, who desires to find a tenant to share their residence.
- (x) “Homeownership” means:
 - (1) For Mortgage Assistance: fee simple title on real property or a leasehold interest on real property that enables the lessee to make improvements on and encumber the property and has a term sufficient to secure the CalHome program Loan, ownership of a Manufactured Housing unit located on a rented space in a mobilehome park; or

- (2) For Owner-Occupied Rehabilitation: fee simple title; or a leasehold interest that enables the lessee to make improvements on and encumber the property and has a term sufficient to secure the CalHome program Loan; or ownership of a Manufactured Housing unit located on a rented space in a mobilehome park.
 - (3) A share interest in a limited equity housing cooperative; or
 - (4) An interest in a Mutual Housing project that meets the definition in Section 7716(qq).
- (y) “Homeownership Development Project” means new construction on a site, including subdivisions, or scattered sites, that is under common ownership, development financing and construction.
 - (z) “Household” means one or more persons occupying the same housing unit.
 - (aa) “Junior Accessory Dwelling Units” (“JADUs”) shall have the same meaning as defined by paragraph (1) of subdivision (g) of GC Section 65852.22.
 - (bb) “Loan” shall have the same meaning as defined in HSC, Section 50076.6.
 - (cc) “Loan-to-Value-Ratio” means the ratio between the amount of all indebtedness liened, or to be liened, against a property and the appraised value of the property securing the liens.
 - (dd) “Local Public Agency”, or “Locality” means a city, county, or city and county, a duly constituted governing body of an Indian reservation or rancheria or a tribally designated housing entity, or a local public entity within the state of California that has been delegated substantially all of the Locality's Housing Functions (hereinafter collectively referred to as a "Locality"). For the purpose of this definition, "Housing Functions" means engaging in or assisting in the development or operation of housing for persons of Low or moderate Income. Such delegation shall have been made prior to the issuance of the Notice of Funding Availability (NOFA) under which the local public entity is applying.
 - (ee) “Local Program” means a First-Time Homebuyer Mortgage Assistance Loan program; or an Owner-Occupant Rehabilitation Program to provide CalHome program Loans for the acquisition and/or Rehabilitation of property; or an ADU/JADU Program; or a Shared Housing program operated by a Locality or Nonprofit Corporation pursuant to the provisions of this subchapter.
 - (ff) “Lower- and Low-Income Household” mean the same as defined in Section 50079.5 of the HSC.
 - (gg) “Manufactured Housing” means a mobilehome as defined by Section 18007 of the HSC. A manufactured home can be either in a rental mobile home park, on leased land, or on property owned by the occupant. It can either be on a

permanent foundation or a foundation system. In these guidelines, with respect to Manufactured Housing not installed on a permanent foundation, terms that typically apply to conventionally constructed housing or to Loans secured by real property shall be given the appropriate analogous meaning used in the Manufactured Housing industry. For example, rather than holding fee title to the property, a manufactured Homeowner is listed as the registered owner on the certificate of title issued by the Department.

- (hh) “Maximum Sales Price/Value Limit” is the maximum allowable sales price or the maximum After-Rehabilitation Value of a home assisted with a CalHome program Loan. This shall be set at 100 percent of the current median sales price of a single-family home in the county in which the CalHome program or project is located.
- (ii) “Mobilehome Park” shall have the same meaning as defined in HSC, Section 50082.7.
- (jj) “Moderate-Income Household” mean the same as defined in HSC, Section 50093.
- (kk) “Monitoring Agreement” means the contract entered into between the Department and a Recipient pursuant to Section 7756(b).
- (ll) “Monthly Housing Cost” means the average of the estimated costs for the next twelve months for a Homebuyer or owner-occupant and shall include all of the following associated with that housing unit:
 - (1) Principal and interest on a mortgage Loan including any rehabilitation Loans, and any mortgage insurance fees associated therewith;
 - (2) Property taxes and assessments;
 - (3) Fire and casualty insurance, including flood insurance when applicable, covering replacement value of property improvements;
 - (4) Homeowner association fees or dues, if applicable;
 - (5) Lease payments, if the housing unit is situated on leased land; and
 - (6) Space rent, if a Manufactured Housing unit is situated in a mobilehome park.
- (mm) “Mortgage” means a deed of trust which is used to secure a lien on real property or, in the case of Manufactured Housing, a security instrument sufficient to legally perfect a security interest in the home.
- (nn) “Mortgage Assistance” means permanent financing used toward Homebuyer costs, up to a maximum limit as specified in the Department’s NOFA.

- (oo) “Mortgage Financing” means a long-term, permanent Loan, provided by a Mortgage Lender, which is secured by a deed of trust, or, in the case of Manufactured Housing, a security instrument sufficient to perfect a security interest in the home.
- (pp) “Mortgage Lender” means a bank or trust company, mortgage banker, mortgage broker, federal or state-chartered savings and Loan association, state or federal governmental agency or credit union whose principal business is to originate, process, close and service Loans for the purchase or development (if appropriate) of property. Mortgage Lender also includes nationwide institutions whose primary purpose is to develop housing and provide first Mortgage Financing to Low-Income purchasers of the developed housing.
- (qq) “Mutual Housing” means a multi-unit Homeownership Development that allows each resident a vested financial interest that has a determinable market value, is divisible and gives the owner an exclusive right to occupy a designated unit for an indefinite period.
- (rr) “NOFA” is the acronym for Notice of Funding Availability. The NOFA is the document used by the Department to announce that funds are available, and applications may be submitted.
- (ss) “Nonprofit Corporation” means a corporation as defined in Section 50091 of the HSC.
- (tt) “Owner-Occupied Rehabilitation Program” means funds are provided to a Locality or Nonprofit Corporation to administer a program to assist owners of homes that are in need of Rehabilitation as defined in Section 7716(zz).
- (uu) “Person With a Disability” is an individual with a physical or mental impairment that limits one or more major life activities as defined by the California Fair Employment and Housing Act (FEHA) and other disability rights statutes (GC Section 12955.3, GC Section 12926(m), and GC Section 12926(j)).
- (vv) “Predevelopment Costs” means the costs directly related to Program eligible housing development, including ADUs and JADUs. Predevelopment Costs may include, but are not limited to, the costs of, or the costs associated with, land purchase or options to buy land; professional services such as architectural, engineering, or legal services; permit or application fees; and bonding, site preparation, related water or sewer development, or material expenses.
- (ww) “Program Income” or “PI” means gross income earned by the Grantee from Grant and/or program income-funded activities. PI shall be deposited into a separately maintained Reuse Account.
- (xx) “Recipient” means a Locality or Nonprofit Corporation that receives an award of funds from the CalHome program.

- (yy) "Refinance" means to pay off all or a portion of existing debt secured by the property from the proceeds of a CalHome program Loan or other financing also secured by the property.
- (zz) "Rehabilitation" means, in addition to the definition in HSC, Section 50096 and Section 50097, the following:
 - (1) Repairs and improvements to a manufactured home necessary to correct any condition causing the home to be substandard pursuant to CCR, Title 25, Section 1704;
 - (2) Reconstruction;
 - (3) Construction, repair, reconstruction, or rehabilitation of an ADU or a JADU;
 - (4) Conversion of existing space to add an ADU or a JADU;
 - (5) Room additions to prevent overcrowding;
 - (6) Repairs and improvements which are necessary to meet any locally adopted standards used in local rehabilitation; and
 - (7) Modifications, alterations, and additions necessary to improve accessibility and usability for persons with disabilities who reside in or regularly visit the home;

Rehabilitation includes costs incurred in implementing resiliency mitigation measures identified in the Hazard Mitigation Plan or the Safety Element of the General Plan adopted by the jurisdiction in which the program will be offered.

Rehabilitation does not include replacement of personal property.

- (aaa) "Reuse Account" means an account established pursuant Section 7724.
- (bbb) "Rural Area" means the same as defined in HSC, Section 50101.
- (ccc) "Seeker" means a person who desires to be placed as a tenant in a home that is owner-occupied.
- (ddd) "Self-Help Construction" means owner-building as defined in HSC, Section 50692 and may include Mutual Self-Help Housing as defined in HSC, Section 50692(b).
- (eee) "Self-Help Technical Assistance" means conducting and administering a project of technical or supervisory assistance, which will aid Eligible Households in carrying out owner-builder housing efforts.

- (fff) “Shared Housing” means a Local Program designed to preserve Homeownership by matching a Homeowner Provider with a Seeker.
- (ggg) “Shared Housing Match” means a Seeker who has been successfully placed as a tenant into the residence of a Homeowner Provider.
- (hhh) “Shared Housing Technical Assistance” means the provision of services required to Match a Homeowner Provider with a Seeker.
- (iii) “Site Control” means control of a parcel of real property as described in Section 7748.
- (jjj) “Standard Agreement” means the contract entered into between the Department and a Recipient pursuant to Section 7756(a).
- (kkk) “TCAC/HCD Opportunity Area Map” means the map or maps approved periodically by the California Tax Credit Allocation Committee (TCAC) as the TCAC/HCD Opportunity Area Map.
- (lll) “Very Low-Income Household” means the same as defined in Section 50105 of the HSC.
- (mmm) “Volunteer Labor” means skilled or unskilled construction labor provided without remuneration.

NOTE: Authority cited: Sections 50406(n), 50650.2 and 50650.7, HSC. Reference: 50650.3, 50650.4, 50650.5, and 50650.7, HSC.

Article 2. General program requirements.

Section 7717. General Applicant eligibility requirements.

- (a) Geographic restrictions:
 - (1) A Locality shall only be eligible to apply for an award of CalHome program funds for a Local Program or project located within its jurisdictional boundaries. A Locality may hire nonprofit and for-profit consultants located and/or registered within or outside its jurisdictional boundaries, including other counties within the state. Out-of-county consultants are obliged to fulfill the same experience requirements as the in-county entities. Localities may establish a consortium (provided there is a Memorandum of Understanding between the parties) with a single administrator. One Locality shall apply on behalf of other entities in a consortium and may serve all jurisdictions.
 - (2) A Nonprofit Corporation shall only be eligible to apply for an award of CalHome program funds for a program or project if it has developed a project or operated a housing program in California within the past two years or if the Nonprofit Corporation has an existing 523 Self-Help

Technical Assistance Grant Agreement with United States Department of Agriculture (USDA).

(b) Stability and capacity:

- (1) To be eligible for funding, the Applicant shall demonstrate to the Department's satisfaction that it has sufficient organizational stability and capacity to carry out the activity for which it is requesting funds.
- (2) In order to demonstrate organizational stability, the Applicant shall have been operating as a housing Developer or housing program administrator for a minimum of two years prior to the date of application. A Locality may subcontract with an Administrative Subcontractor to qualify toward organizational stability and experience requirement.
- (3) A Nonprofit Corporation must be a corporation whose exempt purposes for the two years prior to the date of application have included the activity for which it is applying.
- (4) A Nonprofit Corporation shall also demonstrate financial stability to the Department's satisfaction through audited financial statements submitted for Department review as part of its application for funding.
- (5) An Applicant shall also meet the additional stability and capacity requirements set forth in these guidelines for the specific activity for which it is applying.
- (6) To the extent necessary to address a presidential declaration of disaster or emergency, or a "state of emergency" or a "local emergency" declared by the Governor under GC Section 8571, the Department may alter or waive state-required criteria set forth in this subsection (b), to the extent otherwise allowed by law.

(c) Reporting requirements

- (1) Recipients shall submit outstanding reports from previous CalHome program Grants to the Department by the application date (as specified in the NOFA). Failure to submit the reports by the application date will make the Recipients ineligible for a CalHome program award.

NOTE: Authority cited: Sections 50406(n), 50650.2 and 50650.7, HSC. Reference: 50650.3, 50650.4, 50650.5, and 50650.7, HSC.

Section 7718. Eligible activities.

- (a) The Department may make Grants to Localities or Nonprofit Corporations to fund Local Programs undertaking:

- (1) Provision of CalHome program Loans to First-Time Homebuyers for Mortgage Assistance;
 - (2) Provision of CalHome program Loans to owner-occupants for Rehabilitation, including Rehabilitation or replacement of manufactured homes not on a permanent foundation; Rehabilitation work shall comply with building standards in place as of the date of building permit application;
 - (3) Provision of Technical Assistance to Self-Help housing projects in which the Applicant organization will be directly providing the services required in Section 7738, Self-Help Technical Assistance Project Administration Requirements; or
 - (4) Provision of Technical Assistance for Shared Housing programs for which the Applicant organization will be directly providing the services required in Section 7741, Shared Housing Program Administration Requirements.
 - (5) Provision of CalHome program Loans to owner-occupants for new construction, repair, reconstruction, or rehabilitation of ADUs or JADUs; All work shall comply with building standards in place as of the date of building permit application;
- (b) The Department may make construction period Loans to Localities or Nonprofit Corporations for development of new Homeownership projects, including Program eligible housing developments that include ADUs or JADUs, or make permanent Loans for Mutual Housing and limited equity housing cooperatives.
 - (c) Proposed development projects shall be ineligible to receive funding if Construction Work has begun or will begin prior to the date that the Department makes an award of program funds. "Construction Work" includes grading; site preparation (with the exception of demolition or clearing of property); or site improvements intended for public dedication.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3, HSC.

Section 7719. Eligible and ineligible uses of funds.

- (a) Eligible uses of funds for specific activities are set forth in the article dealing with that activity.
- (b) CalHome program funds shall not be used for any of the following costs that may be incurred in the Local Program or the project:
 - (1) Refinancing of existing Loans with CalHome program funds, except CalHome program funds may be used for site acquisition bridge Loans

with a term of 36 months or less on Homeownership Development Projects.

- (2) Costs associated with the Rehabilitation or repair of property owned by a mobilehome park owner.
- (3) Offsite improvements (improvements outside the boundaries of the subdivision or individual parcels for scattered site development).
- (4) Unit construction costs, except in Owner-Occupied Rehabilitation Local Programs or for construction period expenses for development of new Homeownership projects.
- (5) Recurring Loan closing costs.
- (6) Payoff of all or any portion of a Borrower's consumer debt, liens or judgments.
- (7) Self-Help Technical Assistance Grant funds may not be used to pay for purchase of land, materials, tools and construction equipment or for any costs of construction.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b), HSC.

Section 7720. Eligible Households.

To be eligible to receive the benefits of CalHome program funding, an individual Household shall:

- (a) Be a Lower-Income Household, when considering the Annual Income of all Household residents 18 years old or older. When calculating income eligibility, Applicants shall refer to Chapter three of the Income Calculation and Determination Guide for Federal Programs. For Shared Housing Match services, where the provider is elderly, the income of non-occupying children who are on title will not be counted;
- (b) Be a Moderate-Income Household that is a victim of a disaster, when considering the Annual Income of all Household residents 18 years old or older. When calculating income eligibility, Applicants shall refer to Chapter three of the Income Calculation and Determination Guide for Federal Programs. For Shared Housing Match services, where the provider is elderly, the income of non-occupying children who are on title will not be counted;
- (c) Include as Borrowers on the CalHome program promissory note all persons who will be or are on title to the property; and

- (d) Either:
- (1) In the case of a Rehabilitation Loan or if receiving Shared Housing Match services, be an owner-occupant and intend to continue occupying the home as a principal place of residence; or
 - (2) In the case of a Mortgage Assistance Loan or if receiving Self-Help Technical Assistance services, be a First-Time Homebuyer and intend to occupy the home as a principal place of residence.

Residents of an ADU or a JADU shall not be considered as part of the Household receiving CalHome program funding for purposes of this section. If the Borrower will occupy an ADU or a JADU, then the residents of the primary unit shall not be considered as part of the Household receiving CalHome program funding for purposes of this section.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650(c) and 50650.3, HSC.

Section 7721. Local program/project administration.

- (a) The Recipient shall implement the Local Program or project and be responsible for the following activities:
- (1) Marketing the Local Program or project;
 - (2) Determination of a Household's income-eligibility pursuant to the income requirements of this subchapter;
 - (3) Where applicable, based on the nature of the Local Program or project, compliance with the following requirements:
 - (A) Section 7722 Homebuyer Education requirements;
 - (B) Section 7723 Loan servicing requirements;
 - (C) Section 7724 Reuse Account requirements;
 - (D) Section 7730 Mortgage Assistance administration requirements;
 - (E) Section 7731 Mortgage Assistance underwriting requirements;
 - (F) Section 7734 Owner-Occupied Rehabilitation administration requirements;
 - (G) Section 7735 Owner-Occupied Rehabilitation underwriting and construction requirements;
 - (H) Section 7738 Self-Help Technical Assistance requirements; and

- (I) Section 7741 Shared Housing administration requirements.
 - (J) Section 7744 ADU/JADU administration requirements; and
 - (K) Section 7745 ADU/JADU underwriting and construction requirements.
- (4) For Mortgage Assistance or Owner-Occupied Rehabilitation Loans, disbursing funds on behalf of Borrowers at time of property acquisition or during Rehabilitation;
 - (5) Maintaining complete and accurate records of all CalHome program Loan disbursements and repayments to ensure adherence to proper accounting procedures for the CalHome program Loans, which may be verified by the Department and may be subject to a fiscal and programmatic audit;
 - (6) Complying with reporting requirements pursuant to Section 7758; and
 - (7) Complying with all other Locality and/or Nonprofit Corporation requirements as set forth in these guidelines and all applicable federal and state regulations.

NOTE: Authority cited: Sections 50406(n) and 50650.2HSC. Reference: 50650.3(b), 50650.4 and 50650.7, HSC.

Section 7722. Homebuyer education requirements.

- (a) Homebuyer Education shall be provided to all Homebuyers receiving a CalHome program Mortgage Assistance Loan and to all Self-Help participants being assisted under a CalHome program Self-Help Technical Assistance Grant. For each home purchase completed by an assisted Household, the CalHome program shall provide a Grant of up to a maximum amount as published in the latest NOFA per assisted Household toward the cost of the Homebuyer Education, provided the following conditions are met:
 - (1) Homebuyer Education curriculum shall be pre-approved by the Department and at a minimum, shall include the following topics:
 - (A) Preparing for Homeownership;
 - (B) Available financing and credit analysis;
 - (C) Loan closing and Homebuyer responsibilities;
 - (D) Home maintenance and Loan servicing.

- (2) A certificate of successful completion of Homebuyer Education shall be issued to each prospective Homeowner and a copy submitted to the Department.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3, 50650.3(b), HSC.

Section 7723. Loan servicing requirements.

- (a) Recipients shall develop and employ a Loan servicing plan that has been submitted to and approved by the Department as addressing the following topics:
 - (1) Process for monitoring the requirement of owner-occupancy
 - (2) Annual review hazard and flood insurance
 - (3) Timely payment of property taxes and assessments
 - (4) Accounting for repayment of CalHome program Loans
 - (5) Properly calculate payoffs
 - (6) Processing demands
 - (7) Reconveyance of deeds of trust
 - (8) Collection of CalHome program notes in default or foreclosure
- (b) If Loan servicing will be performed under a contract with a third party, that third party must be in the business of performing Loan servicing; and
- (c) Recipients shall be required to enter into a long-term Monitoring Agreement with the Department allowing Department monitoring of Loan servicing for compliance with these guidelines.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b), 50650.4 and 50650.7, HSC.

Section 7724. Reuse account.

- (a) CalHome program Recipients shall develop and employ a Reuse Account plan that has been submitted to and approved by the Department as addressing the following topics:
 - (1) Description of a tracking system to ensure the reuse of funds for eligible activities including:
 - (A) Loans to individual Homeowners and Homebuyers,
 - (B) CalHome program Loan processing, housing Rehabilitation processing, Homebuyer Education and other eligible ADF, and
 - (C) Allowable 5 percent Loan servicing fee.

- (b) All repayments of CalHome program Loan principal and any CalHome program Loan interest (i.e. PI) shall be deposited into a separately maintained Reuse Account.
- (c) Any interest earned on deposited CalHome program reuse funds must accrue to the CalHome program identified funds and be reused for CalHome program purposes.
- (d) Funds in the Reuse Account shall only be used by the Recipient for CalHome program eligible activities which are subject to these guidelines.
- (e) Recipients shall be required to enter into a long-term Monitoring Agreement with the Department allowing Department monitoring of Reuse Accounts for compliance with these guidelines.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b) and 50650.3(d), HSC.

Article 3. Homeowner/Homebuyer Loan requirements.

Section 7725. Maximum Homeowner/Homebuyer Loan amounts.

- (a) CalHome program Loans to individual Borrowers shall not exceed the amount published in the current NOFA or, when considered with other available financing and assistance, the minimum amount necessary:
 - (1) In the case of First-Time Homebuyer Mortgage Assistance, to ensure Affordable Monthly Housing Costs as defined by the first Mortgage Lender.
 - (2) In the case of Owner-Occupant Rehabilitation, to fund eligible Rehabilitation costs only, in accordance with program requirements.
 - (3) In the case of ADU/JADU assistance, to fund eligible costs only, in accordance with program requirements.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b) and 50650.7, HSC.

Section 7726. Homeowner/Homebuyer Loan terms.

- (a) CalHome program Loans shall be secured by the property or leasehold interest, as applicable.
- (b) The lien securing repayment of the CalHome program Loan shall be subject only to liens, encumbrances and other matters of record reviewed and approved by the Recipient responsible for underwriting the CalHome program Loan.

- (c) Homeowner/Homebuyer CalHome program Loans shall have the following terms and conditions:
- (1) Principal and interest payments shall be deferred for the term of the CalHome program Loan;
 - (2) Loans shall be repayable upon sale or transfer of the property, when the property ceases to be owner-occupied, or upon the CalHome program Loan maturity date; However, if it is determined by the Recipient that repayment of the CalHome program Loan at the maturity date causes a hardship to the Borrower, the Recipient has two other options. They are:
 - (A) Amending the note and deed of trust to defer repayment of the amount due at Loan maturity, that is the original principal and the accrued interest, for up to an additional 30 years (at 0 percent additional interest), this may be offered one time, or
 - (B) Converting the debt at Loan maturity, that is the original principal balance and any accrued interest, to an amortized Loan, repayable in 15 years at 0 percent additional interest.
 - (3) Loans are not assumable;
 - (4) The following transfers of interest shall not require the repayment of the CalHome program Loan:
 - (A) Transfer to a surviving joint tenant by devise, descent, or operation of law on the death of a joint tenant;
 - (B) A transfer, in which the transferee is a person who occupies or will occupy the property, which is:
 - (i) A transfer where the spouse becomes an owner of the property;
 - (ii) A transfer resulting from a decree of dissolution of marriage, legal separation agreement, or from an incidental property settlement agreement by which the spouse becomes an owner of the property; or
 - (iii) A transfer into an inter vivos trust in which the Borrower is and remains the beneficiary and occupant of the property.
 - (5) The term for First-Time Homebuyer Mortgage Assistance CalHome program Loans shall be 30 years with the following exception: when USDA, Rural Housing Service (RHS) 502 mortgage Loans are in first lien position, the term shall be the term of the 502 mortgage (30 to 38 years);

- (6) The term for Owner-Occupied Rehabilitation CalHome program Loans shall be a maximum of 30 years as determined by the Recipient; and
 - (7) A Borrower may pay the CalHome program Loan amount, in part or in whole, at any time without penalty.
- (d) All CalHome program assistance to individual Households shall be made in the form of a Loan. Recipients may make CalHome program Loans bearing simple interest up to 3 percent per annum and may allow forgiveness of all or a portion of the accrued interest as part of its Local Program design. Loan principal shall not be forgiven, except as allowed by statute. In lieu of making Loans bearing a fixed rate of interest, Recipients may instead charge contingent deferred interest in the form of shared net appreciation as set forth in subsection (e).
- (e) Shared net appreciation is allowed, only as follows:
- (1) Gross appreciation is calculated by subtracting the original sales price from the current sales price or the current appraised value if the Loan accelerating event is other than sale of the property;
 - (2) Net appreciation is calculated by subtracting the seller's applicable closing costs, seller's cash contribution in the original purchase transaction, the value of seller's sweat equity, if applicable, and the documented value of capital improvements from the gross appreciation amount;
 - (3) The Recipient may only claim repayment of the principal, interest and a portion of the net appreciation. That maximum portion of the net appreciation which may be claimed by the Recipient is equal to the percentage of the value of the residence financed by the CalHome program Loan. That is, if the Loan equals 20 percent of the initial value of the residence, a maximum of 20 percent of the appreciation may be charged by Recipient.
- (f) In any Loan transaction where there is no other public subsidy or public resale restriction, the Borrower cannot be restricted from selling the home at its fair market value at any time.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b) and 50650.7, HSC.

Section 7727. Homeowner/Homebuyer Loan-to-Value Limits.

- (a) The Loan-to-Value Ratio for a Mortgage Assistance CalHome program Loan, when combined with all other indebtedness to be secured by the property, shall not exceed 100 percent of the sales price plus a maximum of up to 5 percent of the sales price to cover actual closing costs.

- (b) The Loan-to-Value Ratio for an Owner-Occupied Rehabilitation CalHome program Loan, when combined with all other indebtedness secured by the property, shall not exceed 105 percent of the After-Rehabilitation Value estimated pursuant to Section 7735(b)(1).

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b), 50650.3(c), and 50650.7, HSC.

Article 4. Mortgage Assistance programs.

Section 7728. Eligibility requirements.

In addition to the requirements of Section 7717, to be eligible to apply for CalHome program funding for a Mortgage Assistance program, the Applicant or its Administrative Subcontractor shall have successfully administered a Homebuyer program for a minimum of two years within the four years immediately preceding the application.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.4, HSC.

Section 7729. Eligible costs.

CalHome program funds in support of a Mortgage Assistance program shall be used only for the following costs:

- (a) Mortgage Assistance for permanent financing of:
 - (1) A dwelling unit, which may include an ADU or a JADU, ready for occupancy; or
 - (2) A unit, which may include an ADU or a JADU, acquired by a Loan such as a HUD FHA 203(k) Loan. This includes self-help housing Mortgage Assistance, except that CalHome program permanent financing may be disbursed at time of lot purchase where the self-help housing is being financed under the USDA-RHS 502 program.
- (b) Homebuyer Education, which will be reimbursed in the form of a Grant from the Department to the Recipient in an amount not to exceed the maximum published in the current NOFA.
- (c) Non-recurring Loan closing costs.
- (d) A CalHome program Loan-processing ADF not to exceed the maximum amount published in the current NOFA will be reimbursed in the form of a Grant from the Department to the Recipient.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3, 50650.3(b), HSC.

Section 7730. Administration requirements.

The Recipient of CalHome program funds to operate a local Mortgage Assistance program shall be responsible for the following activities:

- (a) Providing information and assistance to First-Time Homebuyers on obtaining maximum amount of first Mortgage Financing pursuant to the underwriting requirements in Section 7731;
- (b) Reviewing CalHome program required appraisals for property eligibility under value limits established pursuant to Section 7731(b)(3). The appraised value shall not exceed these limits;
- (c) In the case of acquisition of existing housing, the Recipient shall be responsible for inspection of properties to be purchased or a review of Uniform Residential Appraisal Reports, including the Valuation Conditions, to ensure that they conform to the requirements of State Housing Law (California HSC, Section 17910 et seq.);
- (d) Ensuring completion by each assisted Household of a Homebuyer Education class that meets the requirements of Section 7722; and
- (e) Originating, underwriting, packaging and closing CalHome program Loans in accordance with program requirements.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b) and 50650.7, HSC.

Section 7731. Underwriting requirements.

- (a) CalHome program Recipients shall develop and employ Mortgage Assistance Program Underwriting Guidelines that have been submitted to and approved by the Department as addressing the following underwriting topics:
 - (1) Establish Front- and Back-End Ratios used to qualify the Borrower;
 - (2) What criteria will be used to determine the credit worthiness of the Borrower;
 - (3) Requirements for the first Mortgage:
 - (A) Borrower shall obtain the maximum first lien mortgage Loan with a term and interest rate from a Mortgage Lender consistent with Affordable housing costs as defined in each program's guidelines.
 - (B) Mortgage Loans shall not include provisions for negative amortization, principal increases, balloon payments or deferred interest.

- (4) Financing subordinate to the CalHome program Loan:
 - (A) Fees and/or charges for subordinate financing shall be reasonable Loan origination fees for first Mortgage Financing as determined by the Department to be consistent with industry standards;
 - (B) There must not be a balloon payment due before the maturity date of the CalHome program Loan;
 - (C) All subordinate financing provided shall defer principal and interest payments for the term of the CalHome program Loan;
- (b) Prior to close of escrow, the Recipient shall ensure that an appraisal has been obtained which meets the following requirements:
 - (1) The appraisal shall be prepared by a state-licensed, residential property appraiser;
 - (2) The appraisal shall use the sales of comparable properties approach to determine value; and
 - (3) Maximum appraised home values at time of purchase or upon completion of acquisition/Rehabilitation work shall not exceed the appraised value limit established by the Department and published in the NOFA.
- (c) Cash out of escrow to Borrowers are limited to the amount deposited into escrow by the Borrowers and not needed for any lender-required minimum down-payment.
- (d) Recipients must obtain title insurance in the amount of the CalHome program Loan at close of escrow.
- (e) Fire insurance (and flood insurance where applicable) requirements are as follows:
 - (1) Recipient must require Borrowers to maintain insurance on the property in an amount at least equal to the replacement value of the improvements; and
 - (2) Recipient must be named as additional loss payee on the policy.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b) and 50650.7, HSC.

Article 5. Owner-Occupied Rehabilitation Programs.

Section 7732. Eligibility requirements.

In addition to the requirements of Section 7717, to be eligible to apply for CalHome program assistance for an Owner-Occupied Rehabilitation Program, the Applicant or its Administrative Subcontractor shall have successfully administered a local Owner-Occupied Rehabilitation Program for a minimum of two years within the four years immediately preceding the application.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.4 and 50650.7, HSC.

Section 7733. Eligible costs.

CalHome program funds in support of an Owner-Occupied Rehabilitation program shall be used only for the following costs:

- (a) Cost of Rehabilitation of the property, as defined in Section 7716(zz).
- (b) Cost of building permits and other related government fees.
- (c) Cost of an appraisal, architectural, engineering, and other consultant services that are directly related to the Rehabilitation of the property.
- (d) Non-recurring Loan closing costs.
- (e) Replacement cost of a manufactured home not on a permanent foundation up to the maximum amount published in the current NOFA in the case where it has been determined by the Recipient it is infeasible to rehabilitate the home.
- (f) A CalHome program ADF in an amount not to exceed the maximum amount published in the current NOFA per Assisted Unit will be reimbursed in the form of a Grant from the Department to the Recipient.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3, 50650.3(b) and 50650.7, HSC.

Section 7734. Administration requirements.

The Recipient of CalHome program funds for the operation of a local Owner-Occupied Rehabilitation Program shall be responsible for the following activities:

- (a) Reviewing CalHome program required After-Rehabilitation appraisals for property eligibility under value limits established in the current published NOFA;
- (b) Originating, underwriting, packaging and closing CalHome program Loans in accordance with program requirements; and

- (c) Completion of Rehabilitation construction requirements pursuant to the Owner-Occupied Rehabilitation Program Guidelines required by Section 7735(a).

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b) and 50650.7, HSC.

Section 7735. Underwriting and construction requirements.

- (a) CalHome program Recipients shall develop and employ Owner-Occupied Rehabilitation Program Guidelines submitted to and approved by the Department as addressing the following topics:
 - (1) Owner-Occupied Rehabilitation underwriting guidelines including Borrower credit requirements; and
 - (2) Rehabilitation construction requirements.
- (b) Prior to commencement of Rehabilitation work, an appraisal shall be obtained with the following requirements:
 - (1) The appraisal may be prepared by Recipient's staff using the sales of comparable properties approach to determine value. If comparable sales are not available, the appraisal shall be prepared by a state-licensed, residential property appraiser;
 - (2) The appraisal shall take into consideration the estimated value of the Rehabilitation work to be completed on the property and shall include the pre-rehabilitated value and the After-Rehabilitated Value; and
 - (3) An appraisal is not required in the case of Rehabilitation work on a manufactured home not on a permanent foundation.
- (c) Any cash out of escrow to Borrowers is prohibited.
- (d) Recipients must obtain title insurance in the amount of the CalHome program Loan at close of escrow.
- (e) Fire insurance (and flood insurance where applicable) requirements are as follows:
 - (1) Recipient must require Borrowers to maintain insurance on the property in an amount at least equal to the replacement value of the improvements; and
 - (2) Recipient must be named as additional loss payee on the policy.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b) and 50650.7, HSC.

Article 6. Self-Help Technical Assistance projects.

Section 7736. Eligibility requirements.

In addition to the requirements of Section 7717, to be eligible to apply for CalHome program assistance for a Self-Help Technical Assistance project, the Applicant shall meet the criteria set forth in the CCR, Title 25, Division 1, Chapter 7, Subchapter 6.5, Article 1, Section 7532 “Eligible Sponsors”, and have successfully completed a minimum of two self-help, new construction projects within the four years immediately preceding the application.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b), 50650.4 and 50650.7, HSC.

Section 7737. Eligible costs.

CalHome program funds in support of a Self-Help Technical Assistance project shall be used only for the following costs:

- (a) Costs for assistance, training and supervision on Self-Help Construction activities and techniques;
- (b) Homebuyer Education, which will be reimbursed in the form of a Grant from the Department to the Recipient in an amount not to exceed the maximum published in the current NOFA;
- (c) Costs of assistance provided in project development which includes, but is not limited to, the preparation of contracts for professional services, application for project funding, packaging Households’ applications for assistance, preparation of subdivision maps, review of engineering plans and specifications for construction and Rehabilitation projects and compliance with appropriate requirements of funding agencies and local government;
- (d) Administrative costs of providing Technical Assistance for the project funded by the Department including, but not limited to, wages, salaries and fringe benefits of clerical and management personnel and payment for rent, utilities, communications, printing and travel expenses.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b), HSC.

Section 7738. Administration requirements.

- (a) The Recipient shall develop and employ Self-Help Technical Assistance Program Guidelines submitted to and approved by the Department as addressing the following topics:
 - (1) Program Marketing
 - (2) Recruitment of Homebuyers and selection criteria

- (3) Income limits for participation and income determination procedures
- (4) Criteria for Homebuyer participation in the program including:
 - (A) Residency requirements
 - (B) Credit requirements
 - (C) Process of providing reasonable accommodations to persons with a disability
- (5) List of activities to be performed by self-help participants
- (6) Construction training plan
- (7) Homeownership training plan
- (b) A home assisted with Self-Help Technical Assistance shall not be sold at a price that exceeds its appraised value;
- (c) Prior to the disbursement of an advance, not to exceed 25 percent of the total Grant amount, the Recipient must submit a certification that the Recipient does not have available funds to initiate the project.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b), HSC.

Article 7. Shared Housing programs.

Section 7739. Eligibility requirements.

In addition to the requirements of Section 7717, to be eligible to apply for CalHome program assistance for a Shared Housing program, the Applicant or its Administrative Subcontractor shall have successfully administered a shared housing program for renters or Homeowners for a minimum of two years immediately preceding the application.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b), 50650.4 and 50650.7, HSC.

Section 7740. Eligible Costs.

CalHome program Shared Housing Technical Assistance funds shall be used only for the following costs:

- (a) Indirect costs of administering a Shared Housing Local Program, including the costs of providing information and referrals; outreach/marketing costs; program evaluation; and CalHome program reporting requirements; and/or

- (b) Costs of direct services, including Shared Housing Matching, documentation of match efforts, and match follow-up services.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b), HSC.

Section 7741. Administration requirements.

- (a) A Shared Housing Technical Assistance Local Program shall, at a minimum, include the following features:
 - (1) Information regarding services available, procedures and program requirements, which shall be provided to all individuals requesting assistance;
 - (2) Outreach and marketing activities shall be conducted to reach both potential Homeowner Providers and potential Seekers and provide information about the availability, purpose and requirements of Shared Housing Match services;
 - (3) Program evaluations shall be obtained from clients (Homeowner Providers and Seekers) by the Shared Housing Technical Services provider to be used as a basis for assessment and improvement of services provided to clients;
 - (4) All services required to affect a Shared Housing Match between a Low-Income qualified Homeowner Provider and a Seeker, which must include at minimum, intake forms/applications, face-to-face interviews between Homeowner Providers/Seekers and Shared Housing agency staff, reference checks, and income determinations to determine Homeowner Provider eligibility;
 - (5) Documentation of a minimum 10 percent reduction in housing costs (or increased income) for Homeowner Providers, except in instances where a Homeowner Provider is age 60 or over or disabled and the Seeker (renter) will be providing services to the Homeowner Provider. In cases that do not meet this requirement, the Recipient shall provide written justification; and
 - (6) Match follow-up services to determine Match satisfaction and to help clients maintain a successful Shared Housing Match.
- (b) A Seeker may not be matched to a Homeowner Provider who rents out more than two rooms in their home.
- (c) The aggregate annual CalHome program reimbursement cannot exceed 50 percent of the Locality's or Nonprofit Corporation's annual budget for their Shared Housing Match Local Program.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b) and 50650.7, HSC.

Article 8. ADU/JADU Programs.

Section 7742. Eligibility requirements.

In addition to the requirements of Section 7717, to be eligible to apply for CalHome program assistance for an ADU/JADU Program, the Applicant or its Administrative Subcontractor shall have successfully administered a local Owner-Occupied Rehabilitation Program, new construction development involving multiple Homeownership units (including single-family subdivisions), or an ADU/JADU Program for a minimum of two years within the four years immediately preceding the application.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3, 50650.4 and 50650.7, HSC.

Section 7743. Eligible costs.

CalHome program funds in support of an ADU/JADU Program shall be used only for the following costs:

- (a) Cost of construction, reconstruction, repair, conversion or rehabilitation.
- (b) Cost of structural modifications to the existing home necessary to accommodate an ADU or a JADU.
- (c) Cost of building permits and other related government fees, including all fees necessary to build and occupy an ADU or a JADU.
- (d) Cost of an appraisal, architectural, engineering, and other consultant services that are directly related to the construction.
- (e) Non-recurring Loan closing costs.
- (f) A CalHome program ADF in an amount not to exceed the maximum amount published in the current NOFA per Assisted Unit will be reimbursed in the form of a Grant from the Department to the Recipient.

NOTE: Authority cited: Sections 50406(n), 50650.2, HSC. Reference: 50650.3 and 50650.7, HSC.

Section 7744. Administration Requirements.

The Recipient of CalHome program funds for the operation of a local ADU/JADU Program shall be responsible for the following activities:

- (a) Originating, underwriting, packaging and closing CalHome program Loans in accordance with program requirements; and

- (b) Completion of construction requirements pursuant to Section 7745(a) of these guidelines.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3, 50650.3(b) and 50650.7, HSC.

Section 7745. Underwriting and construction requirements.

- (a) Recipients shall develop and employ ADU/JADU Program Guidelines submitted to and approved by the Department as addressing the following topics:
 - (1) ADU and/or JADU underwriting guidelines, including Borrower credit requirements;
 - (2) ADU and/or JADU construction requirements; and
 - (3) ADU and/or JADU site standards required by local jurisdictions.
- (b) Recipients must obtain title insurance in the amount of the CalHome program Loan at close of escrow.
- (c) Fire insurance (and flood insurance where applicable) requirements are as follows:
 - (1) Recipient must require Borrowers to maintain insurance on the property in an amount at least equal to the replacement value of the improvements; and
 - (2) Recipient must be named as additional loss payee on the policy.
- (d) Recipients shall set a minimum tenancy of 30 days and shall not use this program for short-term rentals.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3, 50650.3(b) and 50650.7, HSC.

Article 9. Development Loan requirements

Section 7746. Eligibility requirements.

In addition to the requirements of Section 7717, to be eligible to apply for a development Loan, an Applicant shall have successfully developed a minimum of two similar projects within the last four years, and the Applicant shall have staff that will be committed to the proposed project that possess the knowledge, skills and ability to perform the tasks required in a Homeownership Development Project.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b), 50650.4 and 50650.7, HSC.

Section 7747. Eligible costs.

CalHome program funds in support of a development project shall be used only for the following costs:

- (a) Purchase of real property;
- (b) Building permits and state and local fees;
- (c) Predevelopment Costs directly related to eligible housing development, including ADUs and JADUs;
- (d) Onsite improvements related to eligible housing development (within the boundaries of the subdivision or individual parcels for scattered site developments);
- (e) Carrying costs during construction, including insurance, construction financing fees and interest, taxes, and any other expenses necessary to hold the property while the eligible housing development, including ADUs and JADUs, is under construction;
- (f) Escrow, title insurance, recording and other related costs;
- (g) Costs for items intended to assure the completion of construction, such as contractor bond premiums;
- (h) Environmental hazard reports, surveys, and investigations;
- (i) Payoff of bridge Loan financing for site acquisition which has a term of 36 months or less; and
- (j) Attorney fees directly associated with activities related to units funded by the CalHome program.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3, 50650.3(b), HSC.

Section 7748. Site Control.

To be eligible to apply for a Homeownership Development Project Loan, the Applicant shall have Site Control of the proposed project property through the application award date listed in the NOFA, as evidenced by one of the following:

- (a) Fee simple title;
- (b) An enforceable option to purchase, which shall extend, or may be extended, for a minimum of 120 days beyond the deadline for application submittal;
- (c) A disposition and development agreement with a public agency;
- (d) A sales contract, or other enforceable agreement for the acquisition of the property;
- (e) A leasehold interest, or an enforceable option to lease. The option to lease shall extend for a minimum of 120 days beyond the deadline for application submittal. The leasehold term must be for a minimum of 40 years. The leasehold must have provisions that enable the lessee(s) to make improvements on and encumber the property for a term sufficient to secure the CalHome program lien; or
- (f) Other forms of Site Control that give the Department equivalent assurance that the project will be able to proceed without inordinate delay.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b), HSC.

Section 7749. Maximum development Loan amount.

The maximum project development Loan amount shall be published in the current NOFA.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b) and 50650.7, HSC.

Section 7750. Development Loan terms.

- (a) All CalHome program development Loans shall be secured by the project real property and improvements, subject only to liens, encumbrances and other matters of record which have been reviewed and approved by the Department on a case-by-case basis.
- (b) The development Loan term shall end no later than the date specified in the Standard Agreement.
- (c) Principal and interest payments shall be deferred for the term of the development Loan.

- (d) Development Loans shall be repayable at permanent closings of the individual Homebuyer CalHome program Loans or at the development Loan maturity date, whichever occurs first. The portion of development Loan repayments that are used to provide Mortgage Assistance to qualified First-Time Homebuyers will be converted to a Grant to the Recipient. The balance of the development Loan will be repaid to the Department.
- (e) Development Loans shall bear interest at the rate of 6 percent simple interest per annum. The Department may forgive accrued interest on a pro rata basis to the extent that the number of Lower-Income Households and disaster-affected Moderate-Income Households originally proposed to be served, have been served upon completion of the project.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3, 50650.3(b) and 50650.7, HSC.

Section 7751. Development Loan-to-Value Limits.

Loan-to-Value limits include all liens recorded or to be recorded on the project property.

- (a) When development Loan funds are used for the purchase of unimproved real property, the Loan-to-Value Ratio shall not exceed 100 percent of the unimproved appraised value.
- (b) When development Loan funds are used for the purchase of improved real property, the Loan-to-Value Ratio shall not exceed 100 percent of the improved appraised value.
- (c) When development Loan funds are used for predevelopment or site improvement costs, the Loan-to-Value Ratio shall not exceed 100 percent of the appraised land value, plus predevelopment and/or site improvements costs.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b) and 50650.7, HSC.

Section 7752. Development requirements.

- (a) Prior to disbursement of development Loan proceeds:
 - (1) The Developer Borrower shall be the sole owner of the development site or upon close of purchase escrow when CalHome program funds are being used for site acquisition;
 - (2) The Developer Borrower shall have a firm financing commitment(s) for all costs to complete the development;

- (3) The Department shall have approved a final construction budget that ensures that the estimated sales price of the homes to be constructed:
 - (i) Do not exceed the limits established in the NOFA; and
 - (ii) Can reasonably be expected to be Affordable to eligible buyers; and
 - (4) The Developer Borrower shall have met all other Department conditions for disbursement as stated in the Standard Agreement required by Section 7756(a).
- (b) A home assisted with a development Loan shall not be sold at a price that exceeds its appraised value.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3(b), 50650.4 and 50650.7, HSC.

Article 10. Application procedures

Section 7753. Application process.

- (a) The Department shall periodically issue a NOFA that specifies, among other things, the amount of funds available, the minimum/maximum application amount, the minimum/maximum activity amount, minimum/maximum amount per Assisted Unit, the Maximum Sales Price/Value Limit which will represent 100 percent of the current local median sales price of a single family home, minimum number of units per Homeownership Development Project, application requirements, the activities eligible for funding, the number of activities that may be applied for in one application, the allocation of rating points, the deadline for submittal of applications, the schedule for rating and ranking applications and awarding funds, and the general terms and conditions of funding commitments.
- (b) In order to implement goals and purposes of the CalHome program , the Department may adopt measures to direct funding awards to designated Local Program types or project types including, but not limited to Local Programs or projects that: are utilizing self-help labor; are utilizing Volunteer Labor; involve a Construction Skills Training Program; contribute toward Community Revitalization; are located in Rural Areas or other areas to achieve a reasonable geographic distribution of funding, to the extent feasible; or are located in a geographic area subject to a presidential declaration of disaster or emergency, or a “state of emergency”, or a “local emergency”, as those terms are defined in GC Section 8558. Such measures may include, but are not limited to:
 - (1) Issuing a separate NOFA for designated Local Program or project types;

- (2) Awarding bonus points to designated Local Program or project types within a particular NOFA;
- (3) Reserving a portion of funds in the NOFA for designated Local Program or project types; and/or
- (4) Notwithstanding anything in these guidelines to the contrary, a separate NOFA issued pursuant to this subsection may establish an over-the-counter application process meaning the Department continuously accepts and rates applications until the funding available under the NOFA is exhausted. At a minimum, a separate NOFA shall include a description of the application process and funding conditions, shall require compliance with paragraph (a) of this Section, and shall establish minimum funding threshold criteria based on the rating criteria set forth in subdivision 7755.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.7, HSC.

Section 7754. Application requirements.

Application shall be made in a format provided by the Department. The Department shall request the following information:

- (a) Applicant identification information including: name, address, telephone number, contact person and, for Nonprofit Corporations, corporate governing documents and financial information (e.g., articles and by laws, certificate of good standing, confirmation of 501(c)(3) status, audited financial statements), and list of legislative representatives for the area where the program or project will be undertaken.
- (b) Governing board resolution which legally authorizes the application and conforms to the Department's requirements.
- (c) Documentation evidencing that the Applicant: has the authority to undertake the activities applied for; that it meets the eligibility requirements; that it does not have any unresolved Department audit findings nor pending lawsuits; that if the application is for a construction project, Construction Work has not yet begun; and that it agrees to comply with all program requirements.
- (d) Project or program description including amount applied for, number of units or Households to be assisted, income levels of Households to be assisted, description of prior experience with the type of program or project applied for, geographic location of the activities, financing sources and uses, and description of any contributed labor.
- (e) For development projects, the description of the project also shall include: a description of how the Applicant has Site Control; the status of all local government approvals; availability of on and off site improvements and utilities; soil condition and environmental conditions; project costs; unit

description in terms of size, number of bedrooms; per unit construction cost; estimated sales price and sources of financing; estimated Monthly Housing Costs of purchasers; and description of the Homebuyer Education program.

- (f) A description of how the Applicant will comply with the requirements for Local Program/project administration set forth in Section 7721 applicable to the program or project being applied for.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.7, HSC.

Section 7755. Selection criteria.

- (a) Applications shall not be considered for funding unless the application is received by the deadline as stated in the NOFA and demonstrates that all of the following conditions exist:
 - (1) The application contains all of the information required by Section 7754 and contains sufficient information to allow the Department to apply the rating factors set forth in subsection (b) of this Section;
 - (2) The Applicant is eligible;
 - (3) The Applicant proposes an eligible activity;
 - (4) The Applicant proposes an eligible use of the funds;
 - (5) The Applicant does not have any unresolved audit findings or unresolved compliance issues for prior Department or federally funded housing or community development projects or programs;
 - (6) The Applicant has no pending lawsuits that would impact implementation of the program or project for which funding is being requested;
 - (7) If the application is for a development project, construction on the project has not yet begun; and
 - (8) The proposed program or project is consistent with any special terms and conditions of the NOFA (e.g., maximum amounts for downpayment assistance, sales price, development Loan).
- (b) Each application considered for funding shall be rated using the following criteria and maximum possible rating points. The maximum points an application may receive shall not exceed 100 points. Applications must receive a minimum of 55 points to be considered for funding.
 - (1) Capability to operate the local the proposed program, administer and conduct the Self-Help Technical Assistance project, or develop the type

of Homeownership project proposed in the application as follows (up to 40 points):

- (A) Prior experience with administration/implementation of the type of program proposed in the application; or
 - (B) Prior experience in developing the type of Homeownership Development Project or Self-Help Technical Assistance Homeownership project as proposed in the application; and
 - (C) Prior experience with Loan servicing or a plan to provide Loan servicing/management capabilities.
- (1) Community need in a geographic area of the proposed Local Program or project will be based on one or more of the following factors (up to 15 points): the percentage of renter Households that are low income, the percent of renter Households occupying overcrowded housing, the rental vacancy rate, the age of the housing stock, the percentage of Homeowner Households who are in poverty, the percentage of Homeowner Households who are low income, and the percent of Homeowner Households occupying overcrowded housing, as reported in U.S. Census Bureau data; and housing affordability in the geographic area. The specific community need factors that will apply to each activity will be calculated by the Department annually and identified in the NOFA.
- (3) Feasibility of the proposed activity as demonstrated by the following (up to 25 points):
- (A) For applications proposing Mortgage Assistance programs, feasibility will be determined by one or more of the following market indicators in the proposed geographic service area: the affordability of Homeownership relative to renting, as reported in U.S. Census Bureau data; and the availability of affordable homes for sale relative to the proposed amount of lending activity. The specific feasibility indicators that will apply to this activity will be identified in the NOFA;
 - (B) For applications proposing Owner-Occupied Rehabilitation, feasibility will be determined by one or more of the following market indicators in the proposed geographic service area: the age of the housing stock and the percent of Homeowner Households occupying overcrowded housing, as reported in U.S. Census Bureau data; and the Applicant's proposed marketing plan. The specific feasibility indicators that will apply to this activity will be identified in the NOFA;
 - (C) For applications for proposing Shared Housing programs, feasibility will be determined by one or more of the following market indicators in the proposed geographic service area: the

incidence of severe cost burden for renters, and the rental vacancy rate, as reported in U.S. Census Bureau data. The specific feasibility indicators that will apply to this activity will be identified in the NOFA;

- (D) For applications proposing a Homeownership Development Project, Self-Help Technical Assistance Homeownership project, or ADU/JADU Programs:
 - (i) The readiness of the project development to proceed as evidenced by the status of local government approvals, project financing commitments, and resolution to impediments to development; and
 - (ii) Evidence of ability to serve Low- and Very Low-Income Households pursuant to the Mortgage Assistance underwriting requirements stated in Section 7731, as evidenced by the development budget and proposed unit sales prices; and
 - (iii) The affordability of Homeownership relative to renting, as reported in U.S. Census Bureau data.
- (4) Contributes to Community Revitalization as defined in Section 7716(I), meets a legislatively mandated priority for funds allocated to the CalHome program, or develops a Rehabilitation Program that addresses climate adaptation or resiliency consistent with the Hazard Mitigation Plan or the Safety Element of the General Plan adopted by the jurisdiction in which the program will be offered. (up to 10 points)
- (5) Volunteer Labor, Self-Help Labor or Youth Construction Skills Training Program (up to 10 points)

Applications applying for Homeownership Development Projects, Self-Help Technical Assistance Homeownership projects, or a Mortgage Assistance Local Program for new construction housing or acquisition with substantial rehabilitation when the Recipient is acquiring and substantially rehabilitating properties for sale to First-Time Homebuyers, will receive up to 10 points to the extent that they are utilizing:

- (A) Volunteer or Self-Help Construction labor, where a minimum of 500 hours of on-site construction labor per Assisted Unit is provided; or
- (B) Labor provided by youth participating in a Construction Skills Training Program, where a minimum of 500 hours of on-site construction labor per Assisted Unit is provided. The 500 hours

of construction training labor must be provided by the 16- to 24-year old program participants; or

- (D) Minimum 15 percent of units include an ADU or a JADU.
- (E) Homeownership development projects are located in a High Resource or Highest Resource area, as identified on the TCAC/HCD Opportunity Area Map.

- (c) Performance Penalty (up to 5 points)

A deduction to the total score may be applied for failure to meet CalHome program Performance Goals pursuant to Section 7759.

- (d) Applicants will be subject to the appeal process as detailed in the NOFA.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.3, 50650.4 and 50650.7, HSC.

Article 11. Program operations

Section 7756. Legal documents.

- (a) Upon the award of funds, the Department shall enter into a Standard Agreement with the Recipient constituting a conditional commitment of funds. This contract shall require the parties to comply with the requirements and provisions of these guidelines. The Standard Agreement shall encumber State monies in an amount sufficient to fund the approved Local Program or project, subject to limits established in the NOFA and consistent with the application. The Standard Agreement shall contain, but not be limited to, the following as appropriate for the activity. In the case of a Self-Help Technical Assistance award, the Department shall enter into a Technical Assistance Standard Agreement (TASA) pursuant to CCR Title 25, Division 1, Chapter 7, Subchapter 6.5, Article 3, Section 7554. Where that section and the following deviate, the aforementioned Section 7554 takes precedence.
 - (1) A description of the approved Local Program or project and the permitted uses of CalHome program funds;
 - (2) Provisions governing the amount, terms and conditions of the Department's development Loan or Grant to the Recipient;
 - (3) For Homeownership Development Projects, provisions governing the Construction Work and, as applicable, the acquisition of the project site, and the disbursement of Loan proceeds;
 - (4) For Self-Help Technical Assistance projects, a budget and a timetable for completion of the project;

- (5) Requirements for the execution, and where appropriate, the recordation of the agreements and documents required under the CalHome program ;
 - (6) For a Local Program or project, the Recipient's responsibilities for operation of the Local Program or completion of the project, including, but not limited to, number of units to be assisted, marketing, CalHome program Loan processing and funding, construction monitoring and disbursement, report submissions, file documentation;
 - (7) For a Homeownership Development Project, the Recipient's responsibilities for the development of the project, including, but not limited to, number of units to be assisted, marketing, processing of individual Homebuyer CalHome program Loans, expiration date, report submissions, file documentation;
 - (8) Manner, timing and conditions for disbursement of CalHome program or project funds to Recipients;
 - (9) Provisions relating to the placement on or in the vicinity of the Homeownership Development Project site, a sign indicating that the Department has provided financing for the project. The Department may also arrange for publicity of the Department CalHome program Homeownership Development Loan in its sole discretion;
 - (10) Remedies available to the Department in the event of a violation, breach or default of the Standard Agreement;
 - (11) Requirements that the Recipient permit the Department or its designated agents and employees the right to inspect the project or Local Program and all books, records and documents maintained by the Recipient in connection with the Local Program or Self-Help Technical Assistance project Grant or development Loan or Local Program individual CalHome program Loans;
 - (12) Special conditions imposed on a case-by-case basis as part of Department approval of the Local Program or project;
 - (13) Terms and conditions required by federal or state law; and
 - (14) Other provisions necessary to ensure compliance with the requirements of the CalHome program.
- (b) Prior to the disbursement of funds, the Department shall enter into a 20-year Monitoring Agreement with the Recipient requiring the parties to comply with the requirements and provisions of Section 7724 regarding a Reuse Account

established pursuant to the CalHome program legislation. The Monitoring Agreement shall contain, but not be limited to, the following:

- (1) Requirements regarding the establishment of a Reuse Account for the deposit of CalHome program Loan repayments, including interest and principal, and the requirements for disbursement of funds from the Reuse Account;
 - (2) The plan for servicing of the CalHome program Loans as prepared by the Recipient and reviewed and approved by the Department;
 - (3) The plan for the reuse of CalHome program funds;
 - (4) Requirements for submittal of an annual report;
 - (5) Remedies available to the Department in the event of a violation, breach or default of the Monitoring Agreement;
 - (6) Requirements that the Recipient permit the Department or its designated agents and employees the right to inspect the Local Program or project and all books, records and documents maintained by the Recipient in connection with the Reuse Account and long-term Loan servicing; and
 - (7) Other provisions necessary to ensure compliance with the requirements of the CalHome program.
- (c) All Homeowner/Homebuyer CalHome program Loans originated by a Recipient shall be evidenced by the following documents and provisions:
- (1) A promissory note evidencing the CalHome program Loan, payable to the Recipient in the principal amount of the CalHome program Loan and stating the terms and rate of interest of the CalHome program Loan consistent with the requirements of the CalHome program. The Recipient is prohibited from assigning their beneficial interest under the note. The note shall be secured by a deed of trust, or other appropriate security instrument acceptable to the Department, on the Homeowner/Homebuyer property naming the Recipient as beneficiary. This deed of trust or other appropriate security instrument shall be recorded and shall secure the Recipient's financial interest in the project.
 - (2) In the case of Homeowner Rehabilitation CalHome program Loans, a Loan agreement between the Homeowner and the Recipient governing the Rehabilitation and the CalHome program Loan terms. The terms of any other financing provided by the Recipient should also be included.

- (d) Development Loan legal documents shall include, but not be limited to:
 - (1) A promissory note evidencing the Loan, payable to the Department in the principal amount of the Loan and stating the terms of the Loan consistent with the requirements of the CalHome program. The note shall be secured by a deed of trust on the project property naming the Department as beneficiary. This deed of trust shall be recorded junior only to such liens, encumbrances and other matters of record approved by the Department and shall secure the Department's financial interest in the project and the performance of the Developer Borrower's program obligations;
 - (2) A development agreement between the Department and the Developer Borrower for not less than the term of the development Loan.
- (e) Self-Help Technical Assistance Grant legal documents shall include, but not be limited to, an agreement between the Recipient and self-help participants which clearly sets forth what is expected of each party and which clearly shows what work is expected of the participating Household.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.2, 50650.3(b), 50650.4 and 50650.7, HSC.

Section 7757. Disbursement of Loan and Grant funds.

- (a) CalHome program funds shall be disbursed on an advance basis. Details of the process for advance disbursements will be published in the current NOFA and shall be included in all Standard Agreements. Advances may include, but are not limited to:
 - (1) Homeownership project development Loan disbursements;
 - (2) Advances of up to 25 percent of the award for self-help and Shared Housing Technical Assistance;
 - (3) Advances for Owner-Occupied Rehabilitation Programs up to the amount of the Recipient's anticipated volume of closed Loans for the following 60 days; or
 - (4) Advances to escrow for Mortgage Assistance Loans.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.2, 50650.3(b), 50650.4 and 50650.7, HSC.

Section 7758. Reporting requirements.

- (a) During the term of the Standard Agreement, and no later than 30 days after the end of each calendar quarter, the Recipient shall submit to the Department a performance report which shall address the following topics;

- (1) Description of current status of program activity, including number of units assisted,
 - (2) Description of activities to be undertaken in the next reporting period,
 - (3) Description of problems or delays encountered in program implementation, and course of action taken to address them,
 - (4) Description of actions taken to achieve program expenditure deadlines,
 - (5) Summary of program fiscal status, including:
 - (A) Award amount
 - (B) Funds drawn
 - (C) Remaining balance
- (b) During the term of the Standard Agreement and Monitoring Agreement, no later than 30 days after June 30th of each year, the Recipient shall submit to the Department an annual performance which shall address the following topics:
- (1) Number of units assisted with CalHome program Loans by program activity type,
 - (2) Amount of CalHome program funds spent on CalHome program eligible activities by category,
 - (3) Summary of fiscal status for the reporting period, including
 - (A) Award amount,
 - (B) Funds drawn as of June 30, and
 - (C) Remaining balance.
- (c) At any time during the term of the Standard Agreement or the Monitoring Agreement, the Department may perform or cause to be performed an independent financial audit of any and all phases of the Recipient's Local Program, Self-Help Technical Assistance project or Homeownership Development Project. At the Department's request, the Recipient shall provide, at its own expense, a financial audit prepared by a certified public accountant.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.2, 50650.3(b), and 50650.7, HSC.

Section 7759. Performance goals.

- (a) For all Local Program activities:
 - (1) 100 percent of funds shall be expended within 36 months of the date of the award of funds by the Department. If this goal is not met:
 - (A) The remaining unused funds may be disencumbered by the Department; and
 - (B) If less than 95 percent of the funds are expended at the end of the 36th month, the Recipient's next application for funding under the CalHome program may receive a penalty deduction in the total points awarded pursuant to the current NOFA.
- (b) For Homeownership Development Projects:
 - (1) The Recipient shall draw down CalHome program funds or begin onsite construction within 22 months of the award of funds by the Department. If this goal is not met the Department may disencumber all funds and cancel the Department commitment to the project; and
 - (2) Unit construction must be completed and CalHome program Mortgage Assistance Loans closed within 36 months of the award of funds by the Department. If the projected number of Assisted Units has not been achieved by the end of the 36th month, the Recipient's next application for funding under the CalHome program may receive a penalty deduction in the total points awarded pursuant to the current NOFA.
- (c) For Self-Help Technical Assistance Grants:
 - (1) The Recipient shall begin onsite construction within 12 months of the award of funds by the Department. If this goal is not met the Department may disencumber all funds and cancel the Department commitment to the project; and
 - (2) Unit construction shall be completed within 36 months of the award of funds by the Department. If this goal is not met, then:
 - (A) The remaining unused funds may be disencumbered by the Department; and
 - (B) If the projected number of Assisted Units has not been completed by the end of the 36th month, the Recipient's next application for funding under the CalHome program may receive a penalty deduction in the total points awarded pursuant to Section 7755.

- (d) The Department may exercise its reasonable discretion to disencumber funds discussed under this provision or to Grant an extension of time; provided however that any extensions are in all events subject to any and all applicable encumbrances, deadlines, and limitations, including but not limited to HSC 54006(g).

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.2 and 50650.7, HSC.

Section 7760. Defaults and Loan cancellations.

- (a) Funding commitments may be canceled by the Department under any of the following conditions:
 - (1) The objectives and requirements of the CalHome program cannot be met;
 - (2) Implementation of the Local Program or project cannot proceed in a timely fashion in accordance with the timeframes established in the Standard Agreement; or
 - (3) Funding conditions have not been fulfilled within required time periods.
- (b) In the event of a breach or violation by the Recipient of any of the provisions of the Standard Agreement, the Development Agreement, the Homeownership project development Loan promissory note, or the Homeownership project development Loan deed of trust, or any other agreement pertaining to the Homeownership Development Project, the Department may give written notice to the sponsor to cure the breach or violation within a period of not less than 15 days. If the breach or violation is not cured to the satisfaction of the Department within the specified time period, the Department, at its option, may declare a default under the relevant document and may seek legal remedies for the default including the following:
 - (1) The Department may accelerate all amounts, including outstanding principal and interest, due under the Loan and demand immediate repayment thereof. Upon a failure to repay such accelerated amount in full, the Department may proceed with a foreclosure in accordance with the provisions of the deed of trust and state law regarding foreclosures;
 - (2) The Department may seek, in a court of competent jurisdiction, an order for specific performance of the defaulted obligation or the appointment of a receiver to complete the project in accordance with CalHome program requirements; and
 - (3) The Department may seek such other remedies as may be available under the relevant agreement or any law.

- (c) Upon receipt of a notice of intent to cancel the commitment from the Department, the Recipient shall have the right to appeal to the Director.

NOTE: Authority cited: Sections 50406(n) and 50650.2, HSC. Reference: 50650.2, 50650.3(b), and 50650.7, HSC.