



PLANNING AND DEVELOPMENT DEPARTMENT
HOUSING AND COMMUNITY DEVELOPMENT DIVISION

MORTGAGE ASSISTANCE PROGRAM (MAP) GUIDELINES

PROGRAM OVERVIEW

The City of Fresno Mortgage Assistance Program (MAP) will help low-income families purchase their first home by providing mortgage assistance to ensure affordable monthly housing costs. MAP will bridge the gap between the purchase price inclusive of eligible closing costs and the amount of the buyer's first mortgage loan (the maximum loan for which the buyer qualifies). The gap financing may be used for non-recurring loan closing costs and mortgage assistance. The City second mortgage loan will be a 15-Year Forgivable Deferred Payment Loan (DPL) up to \$100,000 with a zero percent (0%) interest rate. The City's loan will be secured with a 15-Year Deferred Payment Forgivable Deed of Trust that will be subordinate to the primary loan (second lien position).

BORROWER ELIGIBILITY

Income

Income eligibility is based on gross anticipated income of all household members who will be living in the home. In cases where there will be multiple family members on title, income from all sources must be verified for each family member. This gross anticipated income may not exceed 80% of the area median income (AMI) adjusted for family size. A prior year's tax return does not establish anticipated income; current pay stubs should be used. The income verification may not be more than six months old at the time of loan funding. It should be assumed that the current circumstances will continue for the next 12 months even when it is not clear that the type of income received currently will continue in the coming year, unless there is verifiable evidence to the contrary. When collecting income verification documentation, also consider any known or upcoming changes. Gross income from all sources must be used, even if the primary lender will not include. This includes:

- Overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services (before any payroll deductions).
- If an upcoming raise is shown on the Verification of Employment, it must be calculated as current income.
- Wages from a second job, even if the borrower has not been on the job long enough for the FHA underwriter to use those wages.
- The regular amount of periodic payments received from Social Security,

Supplemental Security Income (SSI), annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts. These amounts should not be grossed up.

- ☐ Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay.
- ☐ Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling.
- ☐ Interest, dividends, retirement accounts available to applicant and other net income of any kind from personal property. If the household net assets are greater than \$5,000, gross income includes the greater of:
 - 1) the actual income, if any, derived from all the assets; or
 - 2) 2.5% of the value of all such assets.

Income qualification for self-employed persons is based on prior year income tax returns. Net income plus depreciation from the operation of a business or profession will be used.

Income averaging is allowed **only** when the borrowers are seasonal employees with fluctuating incomes.

Income limits issued by HCD may be found at the following link:

[State Income Limits for 2023](#)

Household Size

For qualification purposes, "household size" shall be determined in the following manner:

- ☐ Immediate household members and dependents shall be verified from the prior year Federal Income Tax Return and Household Composition Form. Any change in household members must submit verifiable evidence that the household member will live with the applicant.
- ☐ When the borrower's spouse is not shown on the tax return (i. e., borrower filed head of household), the spouse's tax return or affidavit must be included even if the borrower is taking title as a sole and separate borrower. The income, if any, must be included and the spouse will be included as part of the household.
- ☐ Families who do not file Federal Income Tax Returns must verify dependent support through child support documents, Temporary Aid for Needy Families (TANF) eligibility documents, Social Security eligibility letters, birth certificates, or other verifiable documentation.

- ☐ Do not count the following household members when determining family size: 1) foster children; 2) unborn children; or 3) children being pursued for legal custody who are not currently living with the household.

First-Time Homebuyer

The borrower must be a first-time homebuyer which is defined as not having owned a home in the last three years. However, if the borrower has had any previous type of home buyer assistance from the City of Fresno, the borrower is not eligible for MAP even if they have signed off their interest in the property. For example, if the borrower was a co-borrower for someone else and during that process obtained a Down payment Assistance Program (DAP) loan or a Lower Income Home buyer Program (LIHP) loan in their name, they would not be eligible for MAP. Home buying programs through the City of Fresno are a once in a lifetime opportunity whether as a borrower or a co-borrower.

Co-Borrowers

Non-occupying co-borrowers or co-owners will not be allowed for MAP.

Home Purchase Loan

The borrower must be prequalified for a home purchase mortgage loan from a participating lender. The amount of the base loan shall be the maximum loan for which the buyer qualifies.

Buyer's Contribution

No minimum cash contribution.

Home Buyer's Counseling Class

The borrower(s) must attend a home buyer education training and provide certification of completion with submission of the package. Home buyer education curriculum, shall include the following topics:

- ☐ preparing for home ownership;
- ☐ available financing and credit analysis;
- ☐ loan closing and home buyer responsibilities; and
- ☐ home maintenance and loan servicing.

At the current time, Community Housing Council is a provider. Please call (559) 221-6919 for schedule and registration information.

PROPERTY ELIGIBILITY

The home must:

- Be the applicant's principal place of residence; and
- Be a single-family residence or condominium and cannot have mother-in-law set-ups, guest quarters, or any form of unit which may be used for rental purposes. Any attached room that cannot be accessed from inside the home is considered a separate unit and such properties are not eligible for this program; and
- Be located within the city limits of Fresno. Note: County islands are not eligible for assistance; and
- Be inspected by a FHA certified inspector. This requirement may be met in various ways, including FHA appraisal/inspection; Fannie Mae housing appraisal/inspection; or other City approved certification. Homes built before 1978 must include a statement from the appraiser regarding "chipping, peeling paint." They must state on an addendum whether there "is" or "is not" chipping, peeling paint on the interior or exterior of the home. If there is "chipping, peeling paint" noted, the areas requiring correction must be corrected; and
- Buyers of homes built before to 1978 must receive the Protect Your Family From Lead in Your Home (<https://www.epa.gov/node/5197>); and
- Be owner occupied (by the seller), rented by the proposed borrower(s) or vacant at the time the MAP package is submitted to the City for review.

ELIGIBLE COSTS

MAP funding may be used for mortgage assistance inclusive of closing cost up to \$100,000. The borrower's outstanding debt, liens or judgements are not considered eligible costs.

UNDERWRITING REQUIREMENTS


☒ Up to \$100,000 available for mortgage assistance and loan closing costs. The mortgage assistance is the difference between the purchase price with closing costs and the maximum first lien mortgage loan and buyer's contribution if any. The MAP loan cannot be used to payoff all or any portion of a borrower's consumer debt, liens or judgements.

☒ Debt-to-income ratios generally cannot exceed 35/43 with two exceptions. The top or front-end ratio is the ratio between monthly household income and monthly housing cost, including the first mortgage principal, interest, taxes, and insurance. The bottom or back-end ratio is the ratio between monthly household income and monthly housing costs plus all payments on long-term installment debt. The two exceptions when the monthly housing cost (top ratio) can exceed 35%, but not be more than 38%, are:

1. The borrower has demonstrated over a minimum 12-month period the ability to pay


housing costs that are equal to or greater than the housing costs for the property to be purchased.

2. The borrower's monthly housing costs will not increase by more than five percent over the previous monthly housing expense.

 The primary loan must be for the maximum amount that the buyer qualifies for and includes the following:

1. The monthly housing cost (top ratio) cannot exceed 35% unless one of the above exceptions applies and the total debt ratio cannot exceed 43%. Ratios are based on the primary lenders standards.


2. The amount of the City's assistance cannot exceed the primary loan.


 Credit worthiness of the borrower(s) shall indicate the ability to repay all debts and include:


1. No past due or any type of collection accounts at the time the MAP package is submitted to the City for review.


2. No unpaid liens or judgements at the time the MAP loan is recorded.


3. No bankruptcies that have not been discharged at least three years prior to the application for financing under the MAP.

 Fixed rate mortgages with the same monthly payment amount for the full term of the loan are allowed; adjustable-rate mortgages (ARM's) or graduated payment loans (GPM's) are not allowed.

 Full documentation loans only; either FHA or Fannie Mae (no sub-prime loans). No temporary buy downs, negative amortization, principal increases, balloon payments or deferred interest loan provisions. A permanent loan buy down is permitted as long as it does not cost more than 1% of the loan amount.

 Cash out of escrow to the borrowers is limited to the amount deposited into escrow by the borrowers and not needed for any lender-required minimum down payment.

 An ALTA Lenders Policy must be obtained in the amount of the MAP loan at close of escrow.

 Borrowers must maintain fire insurance (and flood insurance where applicable) on the property in an amount at least equal to the replacement value of the improvements.

- ☐ The City of Fresno must be named as additional loss payee on the fire insurance policy.

FIRST TRUST DEED LOAN (PRIMARY LOAN)

- ☐ The term of the primary loan shall be for at least 30 years.
- ☐ The interest rate shall be market rate or below market rate.
- ☐ Fixed rate mortgages with the same monthly payment amount for the full term of the loan are allowed; adjustable rate mortgages (ARM's) or graduated payment loans (GPM's) are not allowed.
- ☐ Full documentation loans only; either FHA or Fannie Mae (no sub-prime loans). No temporary buy downs, negative amortization, principal increases, balloon payments or deferred interest loan provisions. A permanent loan buy down is permitted as long as it does not cost more than 1% of the loan amount.
- ☐ First trust deed lenders are required to collect and manage an impound account for payment of taxes, assessments and property insurance for the term of the first mortgage.

LOAN-TO-VALUE LIMITS

The loan-to-value ratio for a MAP loan, when combined with all other indebtedness to be secured by the property, shall not exceed one hundred (100) percent of the sales price plus a maximum of up to five (5) percent of the sales price to cover actual closing costs.

LOAN TERMS OF THE MAP LOAN

- ☐ The MAP loan will be secured with a Deed of Trust in the amount of up to \$100,000 and will be subordinate to the primary mortgage loan (second lien position).
- ☐ No monthly payments.
- ☐ The MAP loan will be a 15 Year Forgivable Deferred Payment Loan (DPL). The unforgiven balance is repayable in full upon sale, transfer of title, or when the property ceases to be owner-occupied during the period of affordability. The City will consider transfers of interest not requiring repayment of the MAP loan when the transfer is to a joint tenant with certain restrictions. However, if the primary loan is refinanced and "cash out" is included in the new loan, the City's loan must be paid off.
- ☐ Zero (0%) interest.

City of Fresno (MAP) Guidelines

- ☐ No prepayment penalties.
- ☐ No loan fees.
- ☐ Loans are not assumable.
- ☐ **Refinance/subordinations** of the first lien mortgage will be allowed for the current principal balance of the primary loan and reasonable closing costs at the time of the requested subordination. The new loan shall not contain any balloon payments or call dates. It must be a fully amortized loan. No cash out (this includes paying off installment or credit accounts).

MONITORING

The City of Fresno will perform annual monitoring procedures on all loans provided. The monitoring may consist of a letter that will be sent out once a year asking participants to verify that the home is still their principal place of residence, or other means of verification as identified by the City. Monitoring will continue for a period of fifteen (15) years from the date of the close of escrow or until the home is no longer the participant's principal place of residence. Verification of Fire insurance (and Flood insurance where applicable) and payment of property taxes is required on all loans and will be included as part of the annual monitoring. Homeowners will be required to assist and facilitate annual monitoring procedures as administered by the City.

APPEALS

If the borrower's application is turned down by City staff, the applicant may appeal, in writing, within ten (10) days after the occurrence. The appeal must clearly state the reasons for the appeal. The appeal will be filed with the Housing and Community Development Division Manager, who will review the appeal and respond within 15 days. If the appellant is not satisfied with that response, the appeal may be presented to the Planning and Development Department Director within thirty (30) days of the Division Manager's response. The Director will attempt to resolve the grievance within fifteen (15) days. The ruling of the Director will be final.

AMENDMENTS TO PROGRAM RULES

The Fresno City Manager's office, and his/her designee(s), may change program requirements from time to time to meet program objectives. All changes will be required to meet Program guidelines.

LENDER PARTICIPATION AND LOAN PROCESSING GUIDELINES

City of Fresno (MAP) Guidelines

Lender must submit an original executed Letter of Participation to the City of Fresno indicating willingness to participate in accordance with rules set forth in the Letter of Participation.

Lender is to prequalify the borrower for a mortgage loan to purchase a selected home.

Lender is to determine the amount of cash required of the borrower, in addition to the lender's loan, in order to purchase the subject home.

Lender is to complete the City-provided Home Buyer Assistance Program Eligibility Worksheet to determine:

- ▶ The borrower's income eligibility in order to receive a MAP loan; and
- ▶ The property eligibility and sales price; and
- ▶ The amount of the City's MAP loan.

Lender's authorized representative is to sign the Certification of Eligibility certifying that the borrower's and property eligibility have been verified.

Lender is to submit the original signed Eligibility Worksheet, appropriate verifications, and other documents (as indicated on the Worksheet), and provide escrow instructions identifying an escrow account number and escrow company. All documents are to be sent to:

City of Fresno
Planning and Development Department
Housing and Community Development Division
Attention: Shin Ae Choi
2600 Fresno Street, Room 3065
Fresno, California 93721

City will review all required documents for completeness and the lender's certification of borrower eligibility.

Eligible borrowers will be issued a check or wire by the City, payable to the escrow company and account identified by the lender, for disbursement upon closing of escrow.

The City's funds will be transmitted to the escrow company along with instructions for executing the City's loan documents (Note, Deed of Trust, Truth-in-Lending Disclosure Statement, and Request for Notice), recordation of same (as appropriate), and disbursement of City funds.

City of Fresno (MAP) Guidelines

The City will review the estimated settlement statement prior to close of escrow to ensure all parties are performing in accordance with MAP guidelines.

Upon close of escrow, all original City loan documents and the final settlement statement are to be transmitted directly to the City for retention. A review of the final settlement statement will be performed. If not in compliance, a request for the funds will be issued to the escrow company with a copy to the borrower. When the funds are returned to the City, the borrower's loan amount will be reduced.