



PLANNING AND DEVELOPMENT DEPARTMENT
HOUSING FINANCE DIVISION

**PERMANENT LOCAL HOUSING ALLOCATION (PLHA)
MORTGAGE ASSISTANCE PROGRAM (MAP) Guidelines
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PERMANENT LOCAL HOUSING ALLOCATION (PLHA) MORTGAGE ASSISTANCE PROGRAM (MAP) GUIDELINES

PROGRAM OVERVIEW

The City of Fresno Mortgage Assistance Program (MAP) provides mortgage assistance and non-recurring loan closing costs to qualified low-income families purchasing their first home within the City of Fresno limits. MAP bridges the gap between the total 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 City offers a silent second mortgage loan (second lien position) in the form of a 15-year Forgivable Deferred Payment Loan (DPL) of up to \$100,000, with a zero percent (0%) interest rate. This loan does not require monthly payments; however, the full loan amount becomes due upon sale, transfer of title, or if the property ceases to be owner-occupied during the period of affordability.

APPLICATION PROCESS

1. Applicant(s) complete a required 8-hour homebuyer education class and provide a certificate. The certificate must be dated within six months of closing, but no more than a year old at the time of submission.
2. Mortgage Assistance Program (MAP) applicant(s) select one of the City's participating lenders or mortgage brokers and receive pre-approval for a First Mortgage prior to applying.
3. The lender or mortgage broker assists the buyer in determining the amount of funds they are eligible for and the price range of homes they may purchase.
4. Applicant(s) sign a Purchase Contract and open escrow.
5. A completed application packet (Document Checklist in the Eligibility Worksheet for required documents) is submitted by the lender or mortgage broker and processed on a first-come, first-served basis. An Incomplete application packet is returned to the submitting lender or mortgage broker and is not time-stamped until completed.
6. The purchased property must pass an inspection by City staff for lead-based paint hazards and building, health, and safety code deficiencies.

7. Approval of the first mortgage lender does not guarantee eligibility for the City's MAP loan. The City will conduct an extensive review of all necessary documentation to determine eligibility. Both the applicant and the lender or mortgage broker must verify that the minimum eligibility requirements are met. Failure to meet these requirements will prevent the Division from processing the loan application.

The entire City's loan approval process may take up to 30 days.

BORROWER ELIGIBILITY

1. Income

Income eligibility is based on the gross projected income of all household members who will live in the home. For households with multiple family members on title, income from all sources for each family member must be verified. This gross projected income may not exceed 80% of the Area Median Income (AMI), adjusted for household size. A prior year's tax return does not establish projected income; current pay stubs must be used. Income verification documents must be no older than six months at the time of loan funding. It should be assumed that the current income circumstances will continue for the next 12 months unless there is verifiable evidence to the contrary. When collecting income verification documentation, consider any known or upcoming changes. Gross income from all sources must be included, even if the primary lender excluded some. This includes but is not limited to:

- A. Overtime pay, commissions, fees, tips, bonuses, and other compensation for personal services (before any payroll deductions).
- B. If an upcoming raise is noted on the Verification of Employment, calculate income based on the raise.
- C. Wages from a second job, even if the borrower has not been employed long enough for FHA underwriting guidelines to consider it.
- D. The regular periodic payments such as Social Security, Supplemental Security Income (SSI), annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar sources. These amounts should not be grossed up.
- E. Payments in lieu of earnings, including unemployment, disability compensation, worker's compensation, and severance pay.
- F. Periodic and determinable allowances such as alimony, child support, and regular contributions or gifts from persons not residing in the household.

G. Interest, dividends, retirement accounts available to applicant, and other net income from personal property. If the household net assets exceed \$5,000, gross income includes the greater of:

- a) The actual income derived from all assets; or
- b) 2.5% of the total value of all assets.

➤ **Self-Employed person:** Income qualification is based on prior year income tax returns. Net income plus depreciation from business or professional operations will be used.

➤ **Seasonal Employees with fluctuating incomes:** Income averaging is allowed.

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

<https://www.hcd.ca.gov/grants-and-funding/income-limits/state-and-federal-income-rent-and-loan-value-limits>

Income Calculation Example:

Name	Position in Family	Age	Income Sources		
George Smith	Head	40	Full-time at \$19/hour. Receives Bi-weekly payments.		
Ellyn Smith	Spouse	36	Works 20 hours at \$14/hour. Also receives \$50/month from her mother to help with house expenses.		
John Smith	Son	16	*Full-time student at high school. Has a part-time, 15 hours/week at \$9/hour		
*Note: Earned income of minors is <u>not</u> counted. However, unearned income attributable to a minor (e.g., child support, TANF payments and other benefits paid on behalf of a minor) is included.					
PROJECTED ANNUAL INCOME					
Name	Wages/ Salaries	Benefits/ Pensions	Public Assistance	Other Income	Asset Income
George	\$ 39,520				Enter the greater of lines 4 or 5 from
Ellyn	\$ 14,560			\$600	
John	\$ 0				

					above
Total	\$ 54,080			\$600	N/A
Enter total of items from above. This is Annual Income					\$54,680*

*Asset Income to be added if any

Explanation

- **George:** His earnings from work are counted as income. His annual income is calculated as:
 - \$19/hour x 40 hours/week x 52 weeks/year, = **\$39,520**.
- **Ellyn:** Her income includes wages and regular gift income:
 - Wages: \$14/hour x 20 hours/week x 52 weeks/year = **\$14,560**
 - Gift income: \$50/month x 12 months = **\$600**
 - Total Income = **\$15,160**
- **John:** As noted, the earned income of minors is **not** counted as income.

Calculating Asset Income Example:

Family Members	Assets	Asset Value
Juan	Savings account	\$870 average 6-month balance with an interest rate of 2.7%
	Checking account	\$2,000 average 6-month balance with no interest
	Inheritance	Received an inheritance of \$30,000 that he used to buy a new car for \$12,000, pay off his \$3,000 credit card bill, and open a mutual fund account (no associated account costs) to invest the remaining \$15,000 at an annual interest rate of 5.3%

Family Member	Asset Description	Current Market Value	Income From Assets
Juan	Savings account	\$870	\$23
	Mutual funds	\$15,000	\$795
	Checking account	\$2,000	\$0

1. Net Cash Value of Assets:		\$17,870	
2. Total Actual Income From Assets:		-----	\$818
3. If Line 1 is greater than \$5,000, multiply by .025 and enter results here, otherwise leave blank.		-----	\$447

The asset income to be used in the annual income calculation is **\$818**, as the actual income generated by the assets is greater than the imputed income (2.5% of total assets).

Explanation:

- Savings account: Interest income is based on the 6-month average balance and the account’s interest rate: $\$870 \times 0.027 = \mathbf{\$23}$

Inheritance:

- Car: Not counted as an asset since it is used for personal purposes
- Mutual fund: Considered an asset, income is based on the fund’s earning rate: $\$15,000 \times 0.053 = \mathbf{\$795}$

Total Actual Asset Income:

$\$23$ (savings) + $\$795$ (mutual fund) = **\$818**

2. Household Size

For qualification purposes, “**household size**” is determined as follows:

- A. Immediate household members and dependents must be verified using the prior year Federal Income Tax Return and the Household Composition Form. Any change in household members must be supported with verifiable documentation demonstrating that the new household member will live with the applicant.
- B. If the borrower’s spouse is not shown on the tax return (e. g., the borrower filed Head of Household), the spouse’s tax return or a signed affidavit must be provided, even if the borrower is taking title as a sole and separate borrower. Any income from the spouse must be included, and the spouse will be counted as part of the household.
- C. Families who do not file Federal Income Tax Returns must verify dependents through acceptable documentation such as:
 - a. Child support orders or payment records
 - b. Temporary Aid for Needy Families (TANF) eligibility documents

- c. Social Security eligibility letters
- d. Birth certificates
- e. Other verifiable records

To add a member, documentation must prove that the individual is a supportive, needy family member who will live in the home.

- D. Do not count the following individuals when determining family size:
 - a. Foster children
 - b. Unborn children
 - c. Children for whom legal custody is being pursued but who are not currently living in the home.

3. First-Time Homebuyer

To be eligible, the borrower must be a first-time homebuyer, defined as someone who has not owned a home in the last three years. However, previous participation in any City of Fresno homebuyer assistance program renders the borrower ineligible for MAP, even if they no longer have ownership interest in the property. For example, if the borrower previously received a Down Payment Assistance Program (DAP) loan or a Lower Income Homebuyer Program (LIHP) loan, whether as a primary borrower or a co-borrower, they are not eligible for MAP.

Note: Homebuyer assistance programs offered by the City of Fresno are considered a once-in-a-lifetime opportunity, regardless of the borrower's role in the transaction.

4. Non- Occupying Co-Borrowers

Non-occupying co-borrowers or co-owners are not permitted under the Mortgage Assistance Program (MAP). All borrowers listed on the loan and title must intend to occupy the property as their primary residence.

5. Home Purchase Loan

The borrower must be prequalified for a home purchase mortgage loan through a participating lender. The base loan amount must reflect the maximum loan for which the borrower qualifies, based on the lender's underwriting criteria.

6. Buyer's Contribution

No minimum cash contribution.

7. Home Buyer's Education Class

Taking an 8-hour Homebuyer Education class early in the homebuying process is required.

All borrower(s) are required to complete a HUD-approved homebuyer education course and submit a certificate of completion with their application package. The certificate must be dated within six months of closing, but no more than a year old at the time of submission.

The homebuyer education curriculum must cover the following topics:

- ✓ Preparing for homeownership
- ✓ Available financing and credit analysis
- ✓ Loan closing and homebuyer responsibilities
- ✓ Home maintenance and loan servicing

Note: The City does not offer these courses directly. However, they are available through various local organizations. Recommended providers includes:

- *Community Housing Council - You can contact them at (559) 221-6919 or visit chcfresno.org for class schedules and registration information.*
- *Southwest Fresno Development Corporation – You can reach them at (559) 209-8031 x 302 for class details and registration support.*

PROPERTY ELIGIBILITY

To qualify for the Mortgage Assistance Program (MAP), the property must meet the following criteria:

1. **Owner-Occupancy:** The home must be the applicant’s principal place of residence
2. **Property Type:** The Property must be a single-family residence or condominium. Properties with mother-in-law units, guest quarters, or any structures intended for rental use are not eligible.
 - a. Any attached room that cannot be accessed from inside the home is considered a separate unit and disqualifies the property
3. **Location:** The property must be located within the City of Fresno limits
 - a. County islands are not eligible for MAP
4. **Inspection Requirements:** The property must be inspected by a licensed and certificated inspector. This requirement can be satisfied by:
 - a. An FHA appraisal/inspection
 - b. A Fannie Mae appraisal/inspection
 - c. Another City-approved certification

For homes built before 1978, the appraiser report must include a statement regarding “chipping or peeling paint” The appraiser must clearly state on an addendum whether there “is” or “is not” chipping or peeling paint on the interior or exterior.

- If “chipping or peeling paint” is noted, the issue must be corrected before

loan approval

5. **Lead-Based Paint Disclosure:** Buyers of homes built before to 1978 must receive a copy of the *EPA's Protect Your Family From Lead in Your Home* guide, available at: <https://www.epa.gov/node/5197>

ELIGIBLE COSTS

MAP funding may be used for mortgage assistance, including non-recurring closing cost, up to \$100,000. Ineligible costs include the borrower's outstanding debts, liens or judgements.

UNDERWRITING REQUIREMENTS

1. Loan Amounts and Use of Funds

- Up to \$100,000 is available for mortgage assistance and non-recurring loan closing costs.
- Assistance is calculated as the difference between the purchase price (plus eligible closing cost) and the sum of the maximum first mortgage loan and buyer's contribution, if any.
- MAP funds cannot be used to pay off any portion of a borrower's consumer debt, liens or judgements.

2. Debt-to-Income (DTI) Ratios

- The standard maximum front-end (housing) ratio is 35%
- The standard maximum back-end (total debt) ratio is 43%
- Two exceptions allow the front-end ratio to exceed 35%, but not more than 38%, if either of the following conditions is met:
 - The borrower has demonstrated, for at least 12 consecutive months, the ability to pay housing costs equal to or greater than the anticipated new housing cost. The borrower's new monthly housing expense will not increase more than 5% over their current housing expense.

3. Primary Loan Requirements

- The borrower must qualify for and obtain a first mortgage loan for the maximum amount they are eligible for
- MAP ratios are based on the primary lender's standards, with the following guidelines:
 - a. The top ratio may not exceed 35% unless an exception applies; the total ratio may not exceed 43%The amount of the City's MAP assistance may not exceed the amount of the primary mortgage.

4. Creditworthiness Requirements

Borrowers must demonstrate the ability to responsibly manage debt. At the

time the MAP package is submitted:

- a. No past due or collection accounts may be present
- b. No unpaid liens or judgments may exist
- c. Any bankruptcy must have been discharged at least three years prior to application.

5. Loan Type Restrictions

- Only fixed-rate mortgages with equal monthly payments over the full term allowed
- The following loan types are not permitted:
 - Adjustable-rate mortgages (ARMs)
 - Graduated payment mortgages (GPMs)
 - Negative amortization loans
 - Ballon payments
 - Deferred interest loans

6. Loan Documentation and Terms

- Only full documentation loans are eligible; must be FHA or Fannie Mae approved
 - Sub-prime loans are not allowed
 - Temporary buy-downs are not permitted
- A permanent buy-down is allowed only if the cost does not exceed 1% of the loan amount

7. Cash Out of Escrow

- Borrowers may only receive cash back from escrow equal to any funds they personally deposited and that are not needed for any lender-required minimum down payment.

8. Title Insurance Requirement

- An ALTA Lender's Policy must be obtained for the full amount of the MAP loan at close of escrow.

9. Insurance Requirements

- Borrowers must maintain fire insurance (and flood insurance, if applicable) for at least the replacement value of the home's improvements.

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

Loss Payee Clause:

City of Fresno
Planning and Development Department
Housing Finance Division
2600 Fresno Street, Room 3065
Fresno, California 93721
Loan #: PLHA-MAP-XXXX

PRIMARY MORTGAGE (FIRST LOAN) REQUIREMENTS

1. Loan Term:

The primary mortgage must have a minimum term of 30 years.

2. Interest Rate:

The loan must carry a market-rate or below-market interest rate.

3. Loan Type:

Only fixed-rate mortgages with consistent monthly payments over the life of the loan are permitted. Adjustable-rate mortgages (ARM's) and graduated payment mortgages (GPM's) are not allowed.

4. Loan Structure:

Loans must be fully documented and conform to FHA or Fannie Mae standards. Sub-prime loans are not permitted. The following features are also prohibited:

- Temporary buy-downs
- Negative amortization
- Principal increases
- Balloon payments
- Deferred interest provisions

A permanent interest rate buy-down is permitted, provided the cost does not exceed 1% of the loan amount.

5. Impound Account:

Primary lender must establish and maintain an impound account for property taxes, assessments, and insurance payments for the life of the mortgage.

LOAN-TO-VALUE LIMITS

The combined loan-to-value ratio for a MAP loan, including all other secured debt on the property, must not exceed 100% of the sales price.

MAP LOAN TERMS

1. Loan Security and Position

The MAP loan will be secured by a Deed of Trust for up to \$100,000 and will be subordinate to the primary mortgage (i.e., second lien position).

2. Loan Structure and Forgiveness

The MAP loan is a 15-Year Forgivable Deferred Payment Loan (DPL). The unforgiven balance becomes due in full upon:

- Sale or transfer of title
- Ceases to be owner occupy
- Cash-Out refinancing

Transfers to a joint tenant may be allowed without repayments, subject to restrictions.

If the primary mortgage is refinanced and includes “cash out”, the MAP loan must be repaid in full.

3. Repayment Terms

- No monthly payments required
- Zero (0%) interest
- No prepayment penalties
- No loan fees
- MAP loans are not assumable.

4. Refinance and Subordinations

Refinancing or subordination of the primary mortgage will be allowed only for:

- The existing principal balance, and
- Reasonable closing costs
- The new primary loan must:
 - Be fully amortized
 - Have no balloon payments or call datesNo cash-out (including payoff of other debts or credit accounts).

5. Sale or Transfer During Affordability Period

The property may be sold during the 15-year affordability period, however, if the owner sells, transfers title or stops using the property as their principal residency for any reason during this time, the City of Fresno will recapture the full amount of the PLHA assistance subsidy provided to the owner, in accordance with the terms of the PLHA Promissory Note. This recapture must occur before the owner receives any return from the sale.

The recapture amount is limited to the net proceeds available from the sale or foreclosure.

- a. If the property has appreciated in value, the borrower may retain any net proceeds exceeding the PLHA assistance amount.
- b. Amounts repaid to the City shall be deposited into the City’s PLHA account and reused for additional down payment assistance consistent with PLHA Regulations and HCD Guidelines. If, at any point prior to full repayment of the PLHA deed, the property is no longer the homeowner’s primary residence due to sale, transfer, lease, or any other reason, repayment will be subject to Section 302(c)(6) of the PLHA Guidelines. In such cases, the City of Fresno shall ensure compliance through a recorded deed restriction requiring one of the following actions, unless doing so conflicts with another public funding source or law:
 - i. Repayment of the PLHA loan and any accrued interest to the City’s PLHA account, with all repayments reused in accordance with PLHA Eligible Activities;

- ii. Sale of the home at an affordable housing cost to a qualified Lower-Income or Moderate-Income household;
 - iii. Execution of an equity-sharing agreement between the homeowner and the City, with proceeds reused consistent with PLHA requirements.
- c. If the property had depreciated or is sold under foreclosure, and the net proceeds are insufficient to cover the full PLHA assistance amount, recapture limits to the amount of net proceeds remaining after all senior debts have been paid.
- *Ownership Transfer*: If ownership of the property changes during the 15-year affordability period, the entire PLHA grant becomes immediately due and payable to the City of Fresno.

A transfer of ownership includes, but not limited to:

- The sale of the property
- The conveyance of any legal, beneficial or equitable, interest in the property, whether voluntary or involuntary, or by any method
- The death of the borrower during the 15-year affordability period, even if the property passes to a successor or beneficiary in accordance with state law.

MONITORING

The City of Fresno will conduct annual monitoring on all MAP loans for a period of fifteen (15) years from the date of escrow closing, or until the home is no longer the borrower's principal residence, whichever comes first. Monitoring may include an annual verification letter requiring the borrower to confirm the property remains their primary residence, or other verification methods as determined by the City. As part of the monitoring process, borrowers must provide proof of active fire insurance (and flood insurance, if applicable), as well as evidence of property tax payments. Homeowners are required to cooperate fully with the City's monitoring procedures. Failure or refusal to comply will be considered a material breach of the loan agreement between the homeowner and the City.

APPEALS

If an applicant is denied by City staff, the applicant has the right to appeal the decision in writing within ten (10) days of receiving notice. The written appeal must clearly state the grounds for the appeal. Appeals should be submitted to the Housing Finance Division Manager, who will review the case and issue a written response within fifteen (15) days. If the applicant is dissatisfied with the Division Manager's decision, a further appeal may be submitted to the Planning and Development Department Director within thirty (30) days of the previous decision. The Director will attempt to provide a final determination within fifteen (15) days. The Director's decision is final and binding.

AMENDMENTS TO PROGRAM RULES

The Fresno City Manager's, or designated representative(s), may amend program requirements as needed to meet program goals and objectives. All amendments must remain consistent with the overarching Program guidelines.

LENDER OR MORTGAGE BROKER PARTICIPATION AND LOAN PROCESSING GUIDELINES

1. Letter of Participation

The lender or mortgage broker must submit an original signed Letter of Participation to the City of Fresno, confirming their willingness to comply with all program rules as outlined in the letter.

2. Prequalification

The lender or mortgage broker is responsible for prequalifying the borrower for a mortgage loan to purchase an eligible home.

3. Cash Requirements Determination

The lender or mortgage broker must determine the borrower's required cash contribution, beyond the lender's loan amount, needed to complete the home purchase.

4. Eligibility Worksheet Completion

Using the City-provided *Home Buyer Assistance Program Eligibility Worksheet*, the lender or mortgage broker must verify:

- ✓ The borrower's income eligibility the MAP loan;
- ✓ The eligibility of the property and sales price; and
- ✓ The estimated amount of the MAP loan. .

5. Certification of Eligibility

An authorized representative of the lender or mortgage broker must sign the *Certification of Eligibility*, confirming both the borrower's and the property's eligibility.

6. Submission of Application Documents

The lender or mortgage broker must submit the following documents to the City of Fresno:

- ✓ Original signed *Eligibility Worksheet*
- ✓ Required income and property verifications
- ✓ Any additional documents listed on the worksheet
- ✓ Escrow instructions, including the escrow account number and escrow company details

Submit by Mail:

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

Or Online Upload:

Upload the completed application packet to [CoF](#) File Uploader system, including “Mortgage Assistance Program for [buyer’s name]” in the subject line.

*A link to the CoF File Uploader to be provided upon request.

City Review and Funding Process

The City will review all submitted documents for accuracy and completeness, including the lender's certification of borrower eligibility. Upon approval, the City will be issued payment (check or wire) to the escrow company and account designated by the lender. Disbursement occurs upon closing of escrow. The City's loan documents, including the Note, Deed of Trust with Deed Restriction, and Truth-in-Lending Disclosure Statement) will be sent to escrow along with instructions for execution.

Closing and Post-Closing Requirements

The City will review the estimated settlement statement before loan disbursement to confirm compliance with MAP guidelines. After closing:

- All original City loan documents and final settlement statement must be returned directly to the City.
- The City will perform a final review of the settlement statement
- If discrepancies are found, the City will issue a request for return of funds to the escrow company, with copies to the borrower and lender or mortgage broker.
- Upon return of funds, the borrower’s MAP loan amount will be adjusted accordingly.