



## FREQUENTLY ASKED QUESTIONS (2017 Fire Recovery)

### ReCoverCA Homebuyer Assistance Program

#### I. What is ReCoverCA Homebuyer Assistance?

ReCoverCA Homebuyer Assistance (DR-HBA) Program is financial assistance Program developed by the California Department of Housing and Community Development (HCD) in response to the devastating wildfires and other declared disasters that impacted the State in recent years.

With the DR-HBA Program, HCD aims to provide an option to enable low- and moderate-income (LMI) residents of the Most Impacted and Distressed (MID) areas of California, both homeowners and renters, to relocate outside of high fire zone areas. The **2017 Fire Recovery** allocation provides homeownership assistance in the form of a forgivable loan, up to \$350,000. The Homebuyer Assistance (HBA) is designed to cover the funding gap between the First Mortgage Loan amount and the purchase price of a home.

#### II. Program Background and Responsible Parties

##### A. Who Provides the Funding for the Program?

The creation and implementation of the DR-HBA Program centers on the goal to increase the level of homeownership among residents in disaster areas and contribute to the affordability and sustainability of communities across the State. The Program is part of the State's Disaster Recovery Action Plan and funded through a Community Development Block Grant - Disaster Recovery grant from HUD.

##### B. Why Does the Program Encourage Home Purchase Outside High Fire Zones?

Fire disasters in MID areas often force households to relocate, either temporarily or permanently, for housing, employment, or other needs. Furthermore, the high costs of rebuilding, fire mitigation efforts, and insurance can make long-term homeownership unaffordable for many households in these regions. By promoting home purchases in areas outside of high fire zones, the program aims to make homeownership more attainable and sustainable for LMI households.

The DR-HBA Program is not designed to involve the acquisition or buyout of damaged properties. Unlike the long-term benefits of designated greenspace in flood-prone areas, large green spaces in fire-impacted areas may increase future fire risks unless they are part of strategically managed fuel breaks within forested regions. Acquisitions present challenges because the destroyed homes' fair market values typically only cover the land, which, without additional assistance, does not help impacted residents purchase new homes. Furthermore, the disposition of acquired properties could result in the construction of new affordable housing in areas with ongoing fire risks, potentially putting LMI households at risk. Alternatively, these properties could be sold to non-LMI individuals, reducing the program's benefit for those who need it most.

C. *Who is the Program Manager?*

Golden State Finance Authority (GSFA) serves as the DR-HBA Program Manager, overseeing the Program's full range of responsibilities, including intake, application processing, eligibility and affordability determination, monitoring, quality control, compliance review, and marketing and outreach efforts. GSFA also acts as the liaison between applicants and all parties involved in the home purchase process. Established in 1993, GSFA is a public agency with over 30 years of experience in managing and implementing affordable housing programs.

III. *Who is Eligible to Receive the Homebuyer Assistance?*

Eligibility for the DR-HBA Program is limited to LMI homeowners and renters whose primary residence was located in high or very high fire severity zones during the qualifying disasters. HCD defines eligible areas as those within the MID regions of California that qualify for housing assistance through FEMA Individual Assistance, as detailed and updated in the Program Term Sheet, which is available on the GSFA website.

Funding became available on March 1, 2025, and is allocated to areas impacted by the 2017 wildfires, specifically in the following Most Impacted and Distressed (MID) counties and zip codes:

**MID Counties:**

- Sonoma
- Ventura

**Eligible Zip Codes:**

- 95470 – Mendocino County
- 95901 – Primarily Yuba County
- 94558 – Primarily Napa County
- 95422 – Primarily the City of Clearlake, Lake County
- 93108 – City of Montecito, Santa Barbara County

*Note: For the latest funding availability and updates, please visit the GSFA website, which is regularly updated.*

IV. *What are the Terms for the Homebuyer Assistance (HBA) Loan?*

The HBA Loan provided through the DR-HBA Program is designed to assist with a portion of the home purchase, bridging the affordability gap between the applicant's First Mortgage Loan qualification and the purchase price or appraised value (whichever is lower). Closing costs can be included in the assistance, as long as the total loan amount does not exceed the \$350,000 cap. The lender must ensure that the applicant is approved for the maximum possible First Mortgage Loan under the lender's underwriting guidelines.

The HBA Loan is a forgivable Second Mortgage Loan with a 0% interest rate. The HBA Loan is forgiven over a 5-year period, with 20% of the HBA Loan forgiven each year, as long as the

borrower/new homeowner continues to own and live in the home. This means the HBA Loan does not accrue interest, and if the borrower meets the necessary conditions, it will be gradually forgiven. The HBA Loan is in a "second-lien" position, meaning that in the event of a sale or foreclosure, the First Mortgage lender is paid first. For a borrower, this means the HBA Loan is secondary to the primary mortgage, and as long as the borrower meets the program requirements, the HBA Loan could be forgiven over time without needing to be repaid in full.

*A. How Can the HBA Loan Funds be Used?*

The HBA Loan is financial assistance aimed at helping homebuyers with the upfront costs associated with purchasing a home. Specifically, the HBA Loan can be used to pay for the down payment (the portion of the home's price that the buyer must pay upfront), closing costs (which typically include fees for processing the sale, such as loan origination, appraisal, homebuyer education courses and title insurance), and prepaids (expenses such as property taxes or homeowner's insurance that may need to be paid in advance). However, the total amount of financial assistance provided through this loan is capped at \$350,000. This means that the combined total of the down payment, closing costs, and prepaids cannot exceed \$350,000.

*B. Does the HBA Loan Have to be Repaid?*

The HBA Loan is fully forgiven once the 5-year ownership and occupancy requirement is met, with 20% of the loan forgiven each year on a pro-rata basis. If the borrower fails to meet the ownership or occupancy requirements during the 5-year period, the HBA Loan funds will be recaptured on a pro-rated basis.

*C. How is the Amount of the HBA Loan Calculated?*

The First Mortgage Loan amount plays a key role in determining the HBA Loan amount. The HBA Loan is based on factors such as family size, the maximum qualifying First Mortgage Loan amount, and the home's purchase price, with total assistance limited to a maximum of \$350,000.

The HBA Loan Amount is calculated as follows: First, the First Mortgage Loan amount is subtracted from the home's purchase price or appraised value, whichever is lower. Next, any required closing costs are added. The resulting amount is then adjusted by the Duplication of Benefit (DOB), which accounts for any additional assistance the applicant has received from other sources for the same purpose. The total HBA Loan Amount cannot exceed \$350,000.

**Scenario Table** (For example purposes only)

Calculation Steps		Scenario 1	Scenario 2	Scenario 3
A	Purchase Price or Appraised Value (whichever is less)	\$600,000	\$600,000	\$600,000
B.	(-) Maximum First Mortgage Loan Amount	\$400,000	\$250,000	150,000
C	Required Down payment (a-b)	\$200,000	\$350,000	450,000

<b>D</b>	(+) Closing Cost	\$15,000	\$15,000	9,000
<b>E</b>	Cash required for closing (c+ d)	\$215,000	\$365,000	459,000
<b>F</b>	(-) Duplication of Benefit (DOB)	0	\$35,000	40,000
<b>G</b>	Assistance Amount required (e- f)	\$215,000	\$330,000	419,000
<b>H</b>	Maximum Assistance Amount Allowed (Lesser of line G or \$350K)	\$215,000	\$330,000	350,000
<b>I</b>	Required Borrower Contribution (e-h)	\$0	\$35,000	\$109,000
<b>Amount of HBA Loan</b>		<b>\$215,000</b>	<b>\$330,000</b>	<b>\$350,000</b>

Note: If the closing costs exceed the combined total of the First Mortgage Loan and the Maximum Assistance Amount Allowed, the applicant must provide the difference from their own funds or other acceptable sources. (See Scenario 2 and 3 in the table above for examples.)

## V. Program Eligibility Requirements

As a condition of funding, the applicant must meet the program requirements outlined in the Program Term Sheet available on the GSFA website. Below is an overview of the most frequently asked eligibility questions.

### A. *What is the Maximum Household Income Limit Allowed?*

The applicant must meet the income limit for LMI households, defined by HUD as 80% or below of the Area Median Income. The income limit is determined by factors such as household income, household size, and the county where the property is located. These limits are published on the GSFA website.

### B. *What are the First Mortgage Qualifying Guidelines?*

The applicant must meet the underwriting and loan approval requirements for the First Mortgage, as well as any other qualifying criteria outlined in the Program Term Sheet, which is available on the GSFA website. These requirements include, but are not limited to:

- Minimum Debt-to-Income (DTI) ratio of 42%.  
*Lenders must qualify the applicant with the maximum First Mortgage Loan that the borrower can afford, with a DTI ratio of not below 42%.*
- Maximum DTI ratio of 45%.  
*Applicant's Principal, Interest, Taxes and Insurance (PITI) payment on the home, plus all other monthly debt payments, must not exceed 45% of the household's verified gross income.*
- Minimum Credit Score 640.
- Applicant cannot own any real estate property at the time of application or closing.

*C. What Type of Property Can be Purchased and Where?*

- Eligible properties must be located outside of High or Very High Fire Hazard Severity Zones. You can verify a property's fire hazard status using CalFire's [Fire Hazard Severity Zone Viewer \(arcgis.com\)](http://arcgis.com).
- Homeowners must have insurance coverage from a traditional insurance provider; coverage from the California Fair Plan, either as a primary or companion policy, is not eligible.
- Eligible property types include single-family homes, townhomes, agency-approved condominiums, planned unit developments (PUDs), and manufactured housing.
- The number of bedrooms permitted is based on household size. The program follows the federal standard of 1.5 persons per bedroom to determine the minimum number of bedrooms, along with the following occupancy guidelines to establish the maximum number of bedrooms allowed:

Number of Persons	Minimum # of Bedrooms	Maximum # of Bedrooms
1	1	2
2	2	3
3	2	3
4	3	4
5	4	5

*D. What is the Required Homeownership Counseling?*

Housing counseling services play a crucial role in achieving positive outcomes in federally funded housing programs and are essential for promoting long-term affordability. As such, at least one borrower must complete an approved 8-hour online homeownership counseling course. This course will cover topics such as intake, budgeting, and conducting a financial and affordability analysis. The minimal cost of the course can be covered using the HBA Loan funds

*E. What are the Ownership and Occupancy Requirements?*

The applicant must maintain ownership and occupy the home as their primary residence for five (5) years after the close of escrow in order for the HBA Loan to be fully forgiven.

*VI. How Does a Household Apply for the Program?*

Applicants must work with Approved Lenders (also known as ReCoverCA Participating Lenders) for pre-qualification and to reserve funds for both the First Mortgage Loan and homebuyer assistance. The lender will assess eligibility and determine the HBA Loan amount for which the applicant qualifies. Lenders also provide interest rates, annual percentage rates (APRs), and handle the mortgage loan processing.

A list of ReCoverCA Participating Lenders is available on the GSFA website.

## VII. For More Information

This fact sheet provides general information about the DR-HBA Program. Full program policies and eligibility requirements are available in the Program Term Sheet on the GSFA website. Interest rates, APRs, and program applications can be obtained through ReCoverCA Participating Lenders, listed on the GSFA website.

For more information, contact GSFA toll-free at (855) 740-8422 or visit [www.gsfahome.org](http://www.gsfahome.org).

###