



FREQUENTLY ASKED QUESTIONS (2018 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 2018.

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) California counties (homeowners or renters) to relocate outside of high-fire zone areas. The **2018 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 impacted disaster survivors 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?*

The impacts of the 2018 and 2020 disasters may have required homeowners to temporarily relocate to other areas of the state for housing, work or other needs. Additionally, many households may not be able to afford long term homeownership in their current location due to high costs associated with rebuilding, fire mitigation requirements, and insurance.

The DR-HBA Program is also not tied to acquisition or buyout of the damaged properties. Unlike the positive impact of designated greenspace in perpetuity in flood impacted areas, large areas of green space may cause an undue future fire risk in the impacted areas if they are not part of strategic, managed fuel breaks in the forest areas. Acquisitions pose challenges because homes were destroyed and current fair market values only provide compensation for the land, which, without additional assistance, will not help those impacted purchase replacement housing. In addition, disposition of the acquired property may include building new affordable housing stock back in the fire impacted areas with

future risk to LMI households. Finally, disposition could include selling to non-LMI individuals, further impacting the overall benefit to those most in need.

C. Who is the Program Manager?

Golden State Finance Authority (GSFA) serves as the DR-HBA Program Manager and performs end-to-end program management and implementation responsibilities for the Program, including but not limited to, intake, application, eligibility and affordability determination, monitoring and reporting, quality control, compliance review and marketing and outreach efforts. GSFA will also serve as liaison between the Applicant and all parties involved in the purchase process. GSFA is a duly constituted public agency and entity, organized in 1993 by virtue of Articles 1-4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, with over 30 years of experience managing and implementing affordable housing programs.

III. Who is Eligible to Receive the Homebuyer Assistance?

Program eligibility is limited to LMI homeowners and renters whose primary residence, at time of the qualifying disasters in 2018, was located in high or very high fire severity zones. HCD defines these areas for the purposes of the DR-HBA Program as the MID California counties eligible to receive housing assistance through the Federal Emergency Management Agency (FEMA) Individual Assistance pursuant to the 2018 Federal Major Disaster Declarations DR-4382.

The following California counties eligible for 2018 funds are as follows:

- Bute
- Lake
- Los Angeles
- Shasta

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

The HBA Loan provided through the Program is intended to fund a portion of the home purchase. It is designed to fill the affordability gap between what the applicant can qualify for in a First Mortgage Loan and the purchase price or appraised value (whichever is less). Closing cost may be included in the assistance provided the HBA Loan cap of \$350,000 is not exceeded. The Lender must ensure that the Applicant is approved for the maximum First Mortgage Loan amount possible under First Mortgage Loan underwriting.

The HBA is provided in the form of a forgivable deferred Second Mortgage Loan with a zero percent note rate. The HBA Second Mortgage Loan will be in 2nd-lien position.

A. How Can the HBA Loan Funds be Used?

The HBA Loan is intended to cover the Applicant's down payment, closing costs (customary/reasonable), and prepaids up to a cap of \$350,000.

B. Does the HBA Loan Have to be Repaid?

The HBA Loan is completely forgiven after the 5-year ownership and occupancy requirement has been met (20% is forgiven on pro-rata each year). Default on ownership and/or occupancy during the initial 5-year ownership and occupancy period will result in recapture of HBA Loan funds on a pro-rated basis.

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

The First Mortgage Loan amount is critical to determining the HBA Amount. The HBA Loan Amount is based-on family size, maximum qualifying First Mortgage Loan amount, and the purchase price of the home, with total assistance not exceeding the Program cap of \$350K.

The HBA Loan Amount is calculated as follows: The First Mortgage Loan amount is subtracted from the purchase price or the appraised value of the home, whichever is less. Then the cash required for closing is added. The HBA Loan Amount is reduced by the Duplication of Benefit (DOB), which is the assistance received by the Applicant from other sources for the same purpose. The maximum HBA Loan Amount is capped at \$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
D	(+) Closing Cost	\$15,000	\$15,000	9,000
E	Cash required for closing (c+d)	\$215,000	\$365,000	459,000
F	(-) Duplication of Benefit (DOB)	0	\$35,000	40,000
G	Assistance Amount required (e-f)	\$215,000	\$330,000	419,000
H	Maximum Assistance Amount Allowed (Lesser of line G or \$350K)	\$215,000	\$330,000	350,000
I	Required Borrower Contribution (e-h)	\$0	\$35,000	\$109,000
Amount of HBA Loan		\$215,000	\$330,000	\$350,000

Note: If the funds required for closing are more than the combined amount of First Mortgage Loan and the Maximum Assistance Amount Allowed, the Applicant must contribute the excess funds from their own source or other acceptable sources. (Refer to Scenario 2 and 3 in table above).

V. Program Eligibility Guidelines

As a condition of funding, the Applicant is required to meet program requirements as published in the Program Term Sheet on the GSFA website. An overview of the most common eligibility guideline questions are outlined below.

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

The Applicant must meet the income limit of LMI households, as defined by HUD as Area Median Income of 80% and below. The income limit is based on household income, household size and the County in which the property being purchased is located. Limits are published on the [HUD website](#).

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

Applicant must meet First Mortgage underwriting and loan approval requirements, along with any other qualifying guidelines as outlined the Program Term Sheet published on the GSFA website www.gsfahome.org. These include, but are not limited to:

- Lenders must qualify the applicant with the maximum First Mortgage Loan that the borrower can afford with Debt-to-Income (DTI) ratio of not below 42%.
- Maximum Debt-to-Income 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 to 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. Verification that a property is not located in a local, state or federal High Fire Hazard Severity Zone, is available through CalFire's [Fire Hazard Severity Zone Viewer \(arcgis.com\)](http://arcgis.com).
- Homeowner policy for insurance coverage must be from traditional insurance providers and cannot be from California Fair Plan neither as a carrier or as a companion policy.
- Eligible property types include Single family homes, townhomes, agency approved condominiums & planned unit developments (PUD) and manufactured housing.
- Number of bedrooms allowed is dependent on the household size. The Program will follow the federal standard of 1.5 persons per bedroom for the minimum bedrooms allowed, along with the following occupancy standards which sets the maximum 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 are vital to positive outcomes in federally funded housing programs and a key resource to developing long-term affordability. Therefore, at least one borrower will be required to complete the approved 8-hour online homeownership counseling class that will include intake, preparing a client budget, and conducting a financial and affordability analysis.

E. What are the Ownership and Occupancy Requirements?

The Applicant must maintain ownership and occupancy of the home as their primary residence for a period of five (5) years after the close of escrow for HBA Loan to be forgiven in full.

VI. How Does a Household Apply for the Program?

Applicants must work with Approved Lenders (aka ReCoverCA Participating Lenders) for pre-qualification and reservation of funds for both a First Mortgage Loan and the homebuyer assistance. The Lender will determine eligibility and the HBA Amount for which the Applicant qualifies. Lenders also provide interest rates and annual percentage rates (APRs) and process the mortgage loan.

ReCoverCA Participating Lenders are published on the GSFA website www.gsfahome.org.

VII. For More Information

This Fact Sheet contains general program information. Complete Program guidelines are published in the DR-HBA Program Term Sheet published on the GSFA website. Interest rates, APRs and program applications are provided 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.

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