South San Francisco’s Employee Down Payment Assistance Loan Program
Program Policy Guidelines

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Program Policy Guidelines
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SECTION 1 - INTRODUCTION

1.1 Purpose

The South San Francisco Employee Down Payment Assistance Loan Program (the “EDPA Program”) is an important tool for the city of South San Francisco (“the City”) in attracting and retaining high-quality staff, while also encouraging employees to move closer to work, reducing commute times and greenhouse gas emissions. The EDPA Program is an employee benefit open to all permanent, full-time employees who have passed their probationary period as further defined in Section 2.A below (“Eligible Employee”) and is limited to employees that are First-time Homebuyers as defined in Section 2.A below. The EDPA Program offers a deferred-payment, shared-appreciation loan for Residential Units with a maximum loan amount of $100,000.

1.2 Background

On June 28, 2017, the South San Francisco City Council approved a $1 million appropriation to establish the EDPA Program as part of the 2017-2019 Biennial Budget. In 2019, staff met with Hello Housing, a Bay Area nonprofit that manages affordable home ownership programs and designs down payment assistance programs on behalf of public agencies. In 2021, the City contracted with Hello Housing to design and administer the EDPA Program, which will be overseen by the Economic and Community Development Department.

1.3 Overview of the EPDA Loan Program

The EDPA loans offered to Eligible Employees shall be interest free with no monthly payments due during the period when the Eligible Employee owns their Residential Unit with a maximum loan amount of $100,000. Loan repayment will be required in the following circumstances: (1) the 30-year loan term has terminated; (2) title to the Residential Unit is transferred; (3) the Borrower would like to take cash out of the Residential Unit in a refinance; (4) the Borrower no longer occupies the Residential Unit; (5) the Borrower takes advantage of the Early Repayment Incentive option; (6) the Borrower is no longer employed by the City; or (7) Borrower defaults under the terms of the EDPA Loan or the First Mortgage. At the time of a loan repayment, the Borrower shall repay the original loan amount as well as a proportional share of the increase in the value of their Residential Unit.

For example, if the loan amount equaled 10% of the purchase price of the Residential Unit, the repayment amount would equal the original loan amount plus 10% of any increase in the Residential Unit’s value from the date of purchase. This loan structure allows the Borrower to benefit from a meaningful share of the appreciated value of their home while providing funds to the EDPA Program for future use in this or other programs funded by the City.
1.4 Definitions

Accessory Dwelling Unit (ADU) or Junior Accessory Dwelling Unit (JADU): An accessory dwelling unit (ADU) is an attached, detached, or converted residential unit that provides complete independent living facilities for one or more persons and is located on a lot with an existing or proposed single-unit dwelling. It shall include permanent provisions for living, sleeping, eating, cooking, and sanitation on the same lot as the single-unit dwelling is situated. A Junior Accessory Dwelling Unit is a residential unit that is no more than 500 square feet in size and contained entirely within a single-unit dwelling.

Applicant: The Eligible Employee who is the primary individual applying for the EDPA Loan and all persons 18 years and older who will reside in the Residential Unit with the Eligible Employee.

Appreciation: The increased value of a Residential Unit determined by subtracting the Purchase Price from the sales price at the time of resale or the Fair Market Value upon other events triggering repayment.

Assets: The assets to be counted when determining an Applicant’s eligibility, including, but not limited, to the following: savings accounts, checking accounts, Certificates of Deposit, the total balance of any joint accounts, money market or mutual fund accounts, in trust for accounts (amount accessible), stocks or bonds, gifts, cash on hand, amounts borrowed (from a life insurance policy, IRA or retirement accounts), the amount of equity in any real estate owned, and other investments held by any the Applicant.

Back-end ratio: The ratio between monthly household income and monthly housing costs (e.g. principal and interest payments of mortgages and loans, property taxes and insurance) plus all recurring debt payments, such as installment payments, credit card payments, lease payments, child support and other loan payments.

Borrower: An Applicant who has entered into an EDPA Loan Agreement with the City.

Cash Gift: Money given by one person to another in which nothing of comparable value is given, or expected to be given, in return.

City Loan Documents: City Loan Documents include a Promissory Note, a Deed of Trust and an Employee Down Payment Loan Agreement.

Closing Disclosure: A five-page form, provided by the First Lender, that describes, in detail, the critical aspects of a potential borrower’s mortgage loan, including purchase price, loan fees, interest rate, estimated real estate taxes and insurance, closing costs and other expenses.

Conditional Approval and Reservation of Funds: An evaluation of an Applicant by the EDPA Program Administrator and the City that determines whether the Applicant qualifies for an EDPA loan based on his/her/their assets, and other eligibility criteria set forth in Section 2.1. If an Applicant is conditionally approved, the City will issue a conditional approval letter to the Applicant and reserve EDPA Loan funds.
Domestic Partner: Shall have the same meaning as defined in California Family Code Section 297(a).

Economic and Community Development Department: A department within the City of South San Francisco responsible for overseeing the EDPA Loan Program.

EDPA Loan: South San Francisco’s Employee Downpayment Assistance Loan

EDPA Program Administrator: Hello Housing.

Eligible Employee: a permanent, full-time City employee who has passed their probationary period.

Fair Market Value (FMV): The value of a property based upon the determination of an appraisal created by a qualified appraiser holding a California Certified Appraisal License (issued by the Office of Real Estate Appraisers), preferably with a Member of the Appraisal Institute member designation (issued by the Appraisal Institute), and with experience valuing similar properties in the Bay Area pursuant to Uniform Standards of Professional Appraisal Practice the cost of which shall be borne by the Applicant. After reviewing such appraisal, the City shall have the option, at its sole expense, to select an appraiser to conduct an additional appraisal of the Residential Unit. If the two appraisals are not in agreement as to the value of the Residential Unit, the amounts determined by the appraisals will be averaged to determine the Fair Market Value.

FICO: Fair Isaac Corporation. The best-known and most widely used credit score model in the United States.

Final Approval: A written approval from the City to the Applicant and First Lender signifying that the First Loan Package and Property Package have been approved and the Applicant meets the eligibility criteria of the EDPA Loan Program as set forth in Section 9(C).

First Loan Package: Documents submitted to the EDPA Program Administrator by First Lender as set forth in Section 9(A),II.

First-time Homebuyer: An Applicant who has not possessed a sole or joint ownership interest in a Residential Unit during the three-year period preceding the date of application to the EDPA Program. Notwithstanding the foregoing, if an Applicant possessed any of the following interests in a Residential Unit in the three-year period preceding the date of application shall not, by themselves, disqualify an Applicant from being considered a First-time Homebuyer: (1) timeshares; (2) non-occupying co-borrower who may have co-signed on a loan from previous real estate transactions but was not on title; (3) designation as trustee for a trust, where the trustor is living and occupying the Residential Unit; (4) designation as beneficiary of a trust that includes a Residential Unit amongst the trust assets where the trustor is living and occupying the Residential Unit; and (5) shares in a limited equity cooperative.

First Mortgage: the primary lien securing the First Loan on the Residential Unit which has priority over all other liens or claims on the Residential Unit in the event of default.

First Lender or "Senior Lien Holder": the private lender providing a First Loan to the Applicant to finance the purchase of the Residential Unit.
**Front-end Ratio:** The ratio between monthly household income and monthly housing costs, including the First Mortgage principal and interest payments, property taxes, hazard insurance and/or homeowner’s association dues.

**Hello Housing:** an independent nonprofit organization which has contracted with South San Francisco to serve as the EDPA Program Administrator overseeing the day-to-day activities of the EDPA Loan Program.

**Liquid Assets:** a type of asset that can be rapidly converted into cash while keeping its market value. These assets include, but are not limited to, savings accounts, checking accounts, Certificates of Deposit, the total balance of joint accounts, money market or mutual fund accounts, stocks or bonds, Cash Gifts, cash on hand, amounts borrowed (from a life insurance policy, IRA or retirement accounts), and the amount of equity in any real property, but do not include the cash surrender value of life insurance policy, the value of an IRA account, the value of retirement accounts including, but not limited to, 401K and 403B accounts, the value of special needs trusts or the value of 529 college savings accounts.

**Loan Funding Package:** Final verification by the EDPA Program Administrator and the City that the EDPA Program’s escrow instructions have been followed and all financing, household, and property details remain unchanged since Final Approval, as set forth in Section 9(D).

**Local Buying Preference:** Applicants who seek to purchase a Residential Unit in South San Francisco shall have their lottery number placed into the Tier 1 lottery drawing as described in Section 8.1 (B).

**Lottery:** Process by which Applicants are selected for participation in the EDPA Program as described in Section 8.1.(B)

**Permanent Disability:** An Eligible Employee is considered permanently disabled if an incapacitation prevents them from performing the full scope of the usual and customary duties of their employment with the City.

**Pre-Application:** Initial determination of Applicant eligibility for the EDPA Program.

**Principal Residence:** the residence occupied by the Applicant at least 10 months out of every calendar year.

**Program:** South San Francisco’s Employee Down Payment Assistance Loan Program, otherwise known as EDPA Program, (the “EDPA Program”).

**Program Application:** EDPA Program application with required supporting documents submitted by Applicants to the EDPA Program Administrator.

**Property Package:** Documents submitted to Program Administrator by Lender as set forth in Section 9(B)I,II.

**Purchase Price:** Borrower’s cost of purchasing the Residential Unit excluding usual and reasonable settlement or financing costs.
Reservation of Funds: See “Conditional Approval.”

Residential Unit: A Single-Family Residence, a Single-Family Residence with an ADU or JADU, a townhome, or a condominium.

Sales Contract (Purchase Agreement): A contract for the purchase and sale of the Residential Unit.

Settlement Statement: a statement of costs and credits associated with Borrower’s purchase of the Residential Unit showing the Borrower their total costs to close the transaction and showing sellers their net profit (or loss).

Temporary Disability: an Eligible Employee is considered temporarily disabled if their medical prognosis to completely recover to the point of being able to assume the full scope of the usual and customary duties of their employment with the City is within a period of 365 days, or a reasonable extension thereof.

Single-Family Residence: A single-family, one-unit residence.

Spouse: shall have the same meaning as defined in California Family Code section 11.

SECTION 2. Program Requirements and Applicant Eligibility

2.1 Applicant Eligibility Requirements

A. Eligible Applicants

An Eligible Applicant is an Applicant who is a First-time Homebuyer. The EDPA Program Administrator may verify an Applicant’s First-time Homebuyer status by: (a) reviewing mortgage deductions on the three prior years of federal tax returns; (b) relying on a signed statement by the Applicant attesting to their possessory interests in Residential Units; (c) a title search; or (d) any other means reasonable to determine the Applicant’s First-time Homebuyer status.

B. Income and Asset Limits

Eligible Applicants are not subject to an income limit in order to be eligible for the EDPA Program. However, to ensure that limited Program funds support employee’s most in need of assistance, the following asset limit shall apply.

Eligible Applicants may not have more than $300,000 in Liquid Assets at time of application. If an Eligible Applicant’s Liquid Assets are less than or equal to $300,000 at the time of application, the Eligible Applicant may retain a maximum of $60,000 and must apply any Liquid Assets in excess of $60,000 toward the purchase of the Residential Unit.
C. Credit Worthiness

To avoid complicating the underwriting of Program Loans, the EDPA Program will rely on First Lenders to underwrite Applicant’s creditworthiness and will not impose any specific minimum FICO Score. However, the City reserves the right to require a minimum FICO Score if it determines that such requirement is necessary in the future.

D. Owner Occupancy

Applicants must occupy the Residential Unit as their Principal Residence within 60-days after the close of escrow and thereafter occupy it as their Principal Residence for the EDPA Loan term. In its sole discretion, the City may approve an exception to this requirement in writing based upon evidence of extenuating circumstances.

E. Personal Down Payment Requirements

Applicants must provide a minimum of a 3% down payment towards the Purchase Price.

F. Qualifying Ratios

1. No maximum Front-end Ratio shall be imposed. However, the City reserves the right to require a maximum Front-end Ratio if it determines that such requirement is necessary in the future.

2. A maximum 45% Back-end Ratio shall be imposed.

2.2. Property Eligibility

A. Eligible Purchasing Geography

Program loans shall be used to purchase Residential Units located within San Mateo County or San Francisco County. However, where an Eligible Applicant seeks to purchase a Residential Unit South San Francisco, a Local Buying Preference shall be applied to the Eligible Application as noted below.

B. Local Buying Preference

It is a priority for the City that EDPA Loan funds are utilized by Eligible Applicants seeking to purchase homes in South San Francisco. Therefore, Eligible Applicants seeking to purchase a home in South San Francisco shall receive a Local Buying Preference in the EDPA lottery as further set forth in Section 8.1(B).

C. Property Requirements
Properties purchased with EDPA Program Funds may be a single-family house, Condominium, Townhouse/Town Home, Loft or Live Work Unit and a single-family home with an accessory dwelling unit (as long as the property will be used as the owner’s principal residence).

Housing types excluded from the Program include:
1. Mobile homes
2. Multi-unit properties
3. Cooperatives

D. Vacancy Requirement

Properties must have been owner-occupied of vacant 90-days prior to closing.

**2.3 Program Requirements**

A. EDPA Loan Position

The EDPA Program Loan shall only be subordinate (or in second lien position) to a First Mortgage.

B. EDPA Loan Non-Transferrable

The EDPA Loan may not be assigned to a subsequent purchaser of the Residential Unit. However, the Loan may be assumed through an authorized title transfer under limited circumstances noted in Section 4(D) below.

C. Annual Compliance Monitoring

Borrowers shall be required to annually provide evidence to the City of continued eligibility for the EDPA Loan which may include, but is not limited to, evidence that the Residential Unit is the Borrower's Principal Residence and evidence of required insurance.

D. Insurance

As more particularly set forth in the EDPA Loan Agreement, Borrower will be required to maintain property and title insurance during the Loan term.

**SECTION 3. EDPA Loan Amount**

Program loans shall be limited to a maximum of $100,000 per loan.

**SECTION 4. EDPA Loan Repayment**
A. Loan Term

The EDPA Loan shall be subject to a thirty (30) year term.

B. Loan Repayment

The EDPA Loan payments shall be deferred until termination of the term at which time the principal amount of the loan plus a proportional share of the Appreciation of the Residential Unit shall be due and payable to the City.

In addition, the following circumstances shall trigger repayment:

I. Title of the Residential Unit transfers as further set forth in Section 4.D below.

II. The Eligible Employee’s employment with the City is terminated. In such case, the former employee shall have 6 months to repay the EDPA Loan from the date their employment with the City terminates. In its sole discretion, the City may grant a one-time extension in writing should the former employee provide proof of a financial hardship.

The following shall not be considered termination triggering loan repayment:

- The inability to perform their duties during a Temporary or Permanent Disability;
- retirement;
- layoff

IV. The Borrower would like to obtain a cash-out refinance.

V. The Borrower no longer wishes to occupy the Residential Unit.

VI. The Borrower chooses to take advantage of the Repayment Incentive, as defined below in Section 4.E below.

VII. The Borrower defaults under the terms of the EDPA Loan or the First Mortgage.

C. Default Provisions

When a Borrower accepts an EDPA Loan, the Borrower agrees to meet the conditions noted within the City Loan Documents. If there is a violation of any provisions within the documents, the Borrower is considered to be in default under the EDPA Loan. If a Borrower defaults under any other loan on secured by the Residential Unit, such as the First Mortgage, the Borrower would also be considered to be in default under the EDPA Loan.

D. Title Transfers
Title transfers shall be considered a triggering event causing the EDPA Loan to become due and payable except under the following limited circumstances: (A) a transfer to a spouse or domestic partner who becomes a co-owner of the Residential Unit and co-obligor under the EDPA Note; (B) a transfer between spouses or domestic partners as part of a dissolution proceeding or divorce; (C) a transfer by operation of law on the death of a joint tenant; (E) a transfer by devise or inheritance to an existing spouse, child, or domestic partner of Borrower following death of Borrower; or (F) a City-approved refinancing of the First Lender Loan pursuant to Section 4(F) noted below.

For any of the above permissible transfers, the Borrower must submit a written request to the City for approval accompanied by supporting documents, prior to proceeding with the permissible transfer, including but not limited to, a copy of final trust agreement, marriage certificate or state domestic partnership, death certificate, divorce decree or legal separation agreement issued by court. Upon approval, the City may require the Borrower to execute an addendum to City documents related to the Residential Unit by which the transferee(s) shall assume the same rights and responsibilities with respect to those documents as the transferor(s).

E. Repayment Incentive:

In an effort to support the repayment of EDPA loans, a Repayment Incentive shall be available to Borrowers who choose to repay their loan on or before the fifth (5th) anniversary of the loan issuance. This incentive is designed to support the early repayment of borrowed funds so that these funds can be utilized in future programs funded by the City. Should a Borrower choose to repay their original loan on or before the fifth (5th) anniversary of the loan issuance, the share of appreciation due to the City will be capped at a maximum rate of 5%.

F. Refinancing

The EDPA Program will allow refinancing of the First Mortgage without requiring payoff of the EDPA Loan, provided there is no cash out to the Borrower. Any other refinancing of the First Mortgage will require repayment of the EDPA Loan principal and share of appreciation based on an appraisal of the Fair Market Value at the time of refinancing.

G. Prepayment of the EDPA Loan

Borrower will have the option to prepay part or all of the EDPA Loan before the 30-year term ends or independent of other EDPA Loan repayment triggers, including the Repayment Incentive as noted above in Section 4. If the Borrower chooses to prepay only a part of the EDPA Loan, the prepayment will be applied to both the amount of principal and the amount of shared appreciation that is owed. See Section 10(C) for an example of a partial prepayment calculation.
H. Payoff Requests

Borrowers must submit a written request for payoff to the City. If a Borrower wishes to have a third party submit a request for payoff on their behalf, they must also submit a signed authorization allowing the City to provide information to the third party.

All loan payoff requests must be accompanied by a Fair Market Value appraisal dated within 90-days of the payoff request and obtained at Borrower’s own cost.

SECTION 5. First Mortgage Requirements

A. First Mortgage Loan Term

The First Mortgage must be a 30-year fixed rate fully amortizing loan. Loan types not allowed include reverse mortgages, stated income, ARM-adjustable-rate mortgages, interest-only, negative amortizing, and balloon payments.

B. Impounds

The First Lender must collect and manage impound accounts for payment of property taxes, hazard insurance and monthly mortgage insurance premium (if applicable) for the term of the First Loan.

C. Refinancing/Subordination

The EDPA Loan can be subordinated to the refinancing of the existing First Mortgage for a lower interest rate and/or better loan term.

The same individuals that were named as Borrowers on the EDPA Loan must also be named as Borrowers on any refinanced First Mortgage loan unless the City has approved the addition of a Borrower by marriage or domestic partnership or the removal of a Borrower by death, divorce or dissolution of domestic partnership or similar change to the household configuration in writing.

D. Co-Signing

Individuals who are not Eligible Applicants are not allowed to co-sign an EDPA Loans. All EDPA Loan signers must be household members who are included on the Program Application.

SECTION 6. Eligible Use of Funds

The EDPA Loans will be made from available funding sources for the purpose of creating an employee benefit open to Eligible Applicants.

The EDPA Loan can be utilized to pay for down payment and loan closing costs.
SECTION 7. Ineligible Use of Funds

I. EDPA Loans cannot be used to pay for improvement and repair costs.

II. EDPA Loans cannot be used to pay down the First Mortgage principal, debts or liens or to buy down the First Mortgage interest rate.

If the Applicant is required by the First Mortgage Lender to pay off debts in order to qualify for the First Mortgage, these items must be paid by the Applicant, and reduced from the maximum assets allowable under the EDPA Program. In such case, the First Lender is required to evidence the need by providing the underwriting documents such as Underwriting Transmittal Summary (Form 1008), and Desktop Underwriter/Loan Prospector (DU/LP) findings. The amount of the debts must match the amount on the Closing Disclosure or Settlement Statement as applicable.

SECTION 8. Application Process

8.1 – Preapplication and Lottery Process

A. Preapplication Process

Interested Applicants shall complete a pre-application through the City’s EDPA online portal which shall be opened to accept such pre-applications for a 30-day period. Applicants can also request a paper version of the pre-application and mail the pre-application to the EDPA Program Administrator during the 30-day pre-application period. Pre-application materials and information include the following:

- Completed and signed Pre-application
- Household Demographic Information
- Employment status
- Total Assets
- Purchase Geography interest
- Current residence information

The EDPA Program Administrator shall review the pre-application information submitted to determine eligibility. If the Applicant is considered eligible, they shall receive an email confirmation and a unique identifying number which will be entered into the lottery as set forth in Section 8.1(B) below.

If an Applicant is considered ineligible, the Applicant may request reconsideration of the ineligibility finding by submitting new information or documentation contesting the ineligibility finding to the EDPA Program Administrator. Applicants who have included an email address in their application will be notified of their ineligibility status by email and must submit a request for reconsideration within three (3) business days from the date of the ineligibility notification email. Applicants who do not include an email address in their application will be notified through the US Postal Service and must resubmit a request for
reconsideration within five (5) business days from the date of the ineligibility notification. The EDPA Program Administrator will respond within seven (7) business days from the date of the reconsideration request.

B. The Lottery Process

The following guidelines shall be applicable to the lottery process for EDPA Program Applicants:

- At least thirty (30) calendar days prior to a lottery, the EDPA Program Administrator starts to accept complete pre-applications.
- All Applicants that submit an eligible pre-application will receive a unique identifying number ("lottery number") and be included in the Lottery. Households that indicated in their pre-application that they meet the Local Buying Preference criteria for choosing to buy a home in South San Francisco will be entered into the Tier 1 Lottery, and those applications will be pulled first, followed by all other applicants (Tier 2).
- At the Lottery, the Program Administrator will use an electronic system to randomly rank the lottery numbers in Tier 1. Following the Tier 1 lottery, the Program Administrator will use an electronic system to randomly rank the lottery numbers for Tier 2 applicants. Each Applicant will subsequently be notified of their ranking position ("lottery position").
- If no Tier 1 applicants apply for the EDPA Program, then only one lottery will be held with Tier 2 applicants.
- Lottery results shall be emailed to Applicants and posted on the Program website. The list will not include the names of Applicants but will include the unique lottery identifying number and corresponding ranked positions.

8.2 The Application Process

A. Mandatory Workshop

Upon lottery completion, the EDPA Program Administrator will invite top-ranking households in batches from the Lottery Applicants will learn important information about the Program and how to submit a Program Application. The workshop will be hosted and led by the Program Administrator and is a separate requirement from the First-Time Homebuyer Education requirement noted below in Section 9(B)1.

B. Program Application Submittal

Applicants who attend a mandatory workshop will be sent a link to complete an EDPA Program Application (or a paper version upon request) with a date by which the Program Application along with supporting documentation must be mailed to the EDPA Program Administrator’s office. The EDPA Program Administrator will underwrite Applicants on a first-complete basis to determine eligibility and their maximum loan amount.

An Applicant’s Program Application supporting documents packet must include all of the following:

- Program Application
- First Mortgage loan pre-approval letter
- Documentation from the City of permanent, full-time status and that the Applicant is no longer in probationary status.
- Applicant(s) Driver License or California Identification Card
- Applicant(s) signed & dated federal tax returns for the past 3 years with all schedules.
- Applicant(s) three most current and consecutive months of financial account statements
- Gift letter and evidence of availability of funds (if applicable)

The EDPA Program Administrator shall review applications and notify the Applicant of any and all missing and/or additional application documents. Request for additional documents from the Administrator to the Applicant shall be submitted within seven (7) calendar days from the date of notification.

Failure by the Applicant to submit a complete Program Application within the application submittal period will result in a disqualification for an EDPA Loan.

8.3. EDPA Loan Reservation Process

Upon the EDPA Program Administrator’s review of a complete Program Application, the Administrator shall transmit to the City a recommendation for a Conditional Approval and Reservation of Funds or a EDPA Program disqualification, accompanied by the completed Program Application and a Summary of ineligibility findings.

If an Applicant is considered ineligible, the Applicant may request reconsideration of the ineligibility finding by submitting new information or documentation contesting the ineligibility finding to the EDPA Program Administrator. Applicants who have included an email address in their application will be notified of their ineligibility status by email and must submit a request for reconsideration within three (3) business days from the date of the ineligibility notification email. Applicants who do not include an email address in their application will be notified through the US Postal Service and must resubmit a request for reconsideration within five (5) business days from the date of the ineligibility notification. The EDPA Program Administrator will reconsider the ineligibility finding and respond to the Applicant within ten (10) business days from the date of the reconsideration request. The City will set aside the requested reservation of funds until all reconsideration processes have been completed.

A Conditional Approval does not constitute Final Loan Approval nor guarantee that the Applicant will receive an EDPA Loan. Conditional Approvals are always subject to the availability of EDPA Program funds and are conditioned upon meeting the criteria for Final Loan Approval through the submission of the First Loan Package and Property Package as noted below in Section 9(A)(B).

I. An EDPA Loan will be reserved and available for a 120-day reservation period to support Applicants shopping for a Residential Unit.
II. Applicants will have the option to request that the City extend the reservation period for an additional 60 days by submitting evidence that they have been actively searching for a Residential Unit, but have been unsuccessful in the 120 day period. Evidence may include, but is not limited to, submitted, but unaccepted offers. All extension requests must be submitted in writing to the EDPA Program Administrator along with supporting documentation.

III. Any further extensions may be approved if extenuating circumstances exist and by the City Manager or their designee in writing in the sole discretion of the City. All extension requests must be submitted in writing to the EDPA Program Administrator along with supporting documentation for consideration.

IV. If an Applicant enters into a Sales Contract that is subsequently cancelled for any reason, the Applicant must immediately notify the EDPA Program Administrator. If this occurs, the Applicant may attempt to enter into contract within their Reservation of Funds timeline.

If a Conditionally-Approved Applicant fails to enter into a Sales Contract by the end of the 120-day period plus any granted extensions, their Reservation will be terminated, and the reserved EDPA Loan funds will be unencumbered and made available to the next qualified Applicant on the lottery list. After termination of a Reservation, if an Applicant would like another opportunity to purchase a Residential Unit they may be added to the Interest List and notified of future funding availability.

SECTION 9. The EDPA Program Final Approval and Closing Process

The EDPA Program requires a minimum of twenty-eight (28) calendars days from the time of a Sales Contract submission to the close of escrow to ensure that there is sufficient time to prepare for the loan closing process as outlined below by the EDPA Program Administrator and the City.

The First Lender will be responsible for submission of a First Loan Package and the Applicant will be responsible for submission of a Property Package, as outlined in Section 9 (B)1. Any delay in submission of any documents in the First Loan Package or Property Package will likely result in a delayed close of escrow.

A. First Loan Package

The EDPA First Loan Package is required to be submitted by the First Lender on behalf of the Applicant within five (5) business days of the Applicant entering into a Sales Contract. Any delays in the submission of the First Loan Package will delay the Applicant’s close of escrow date.

I. First Loan Package Submittal (Part 1)

The First Lender must submit a complete First Loan Package to the EDPA Program Administrator which contains the following information:

- First Residential Mortgage Loan Application - Form 1003 (signed and dated)
- Underwriting Transmittal Summary - Form 1008
- Loan Estimate
- Preliminary Title Report
- Wire Instructions
- Confirmation of Applicants’ Names and Vesting

II. First Loan Package Submittal (Part 2)

Final First Lender documents to be submitted by the First Lender within five (5) business days before the Applicant closes escrow:

- Hazard Insurance Policy or HO6 Insurance Policy including fire and extended coverage with a loss payable endorsement to the City of South San Francisco.
- Closing Disclosure

B. Property Package

I. Property Package Submittal Period

The Applicant must submit a complete Property Package to the EDPA Program Administrator at minimum twelve (12) business days prior to the close of escrow. Any delay in submittal will result in a delayed close of escrow.

Property Package
- General Release and Waiver of Liability
- City’s Authorization to Release Information
- General Home Inspection Report
- Pest Control Inspection Report
- Evidence of attendance at a Homebuyer Education Program from a city or county approved agency prior the close of escrow.
- Fair Market Appraisal

II. Property Package Review Period

The EDPA Program Administrator will review the Property Package within five (5) business days of receipt and will notify the First Lender and Applicant if any terms included in the Property Package do not meet the EDPA Program eligibility requirements.

If the Applicant receives a disqualification letter at this stage based on a property-specific reason (e.g. appraisal shows that they Residential Unit type is ineligible) or does not close the loan for the property indicated in the First Loan Package and Property Package, the Applicant may attempt to enter into contract to purchase a different Residential Unit Reservation of Funds Timeline.

Should Applicant’s Funding Reservation expire, and they desire to re-apply, they may submit a new Pre-Application during the next open Pre-Application period should EDPA Program funds still be available.
C. Final Approval of EDPA Loan

If the EDPA Program Administrator verifies that Applicant meets all EDPA Program eligibility requirements, a Final Approval Letter will be issued from the City to the Applicant and First Lender signifying that the First Loan Package and Property Package have been approved and the Applicant meets the eligibility criteria of the EDPA Program. Final Approval criteria include, but are not limited to the following:

- Applicant Back-End Ratio does not exceed 45%
- Residential Unit meets Property Eligibility Requirements
- Applicant Liquid Assets remain within maximum asset limits
- Applicant Liquid Assets remaining upon close of escrow do not exceed $60,000
- Applicant has sufficient funds for closing cost
- Applicant is a First-Time Homebuyers
- Evidence of attendance at a Homebuyer Education Program from a City or county approved agency prior the close of escrow.

D. Loan Funding Package

At least four (4) business days prior to the EDPA Program close of escrow date, the following Loan Funding Package must be electronically transmitted from Title Company to the EDPA Program Administrator for review to ensure that they meet EDPA Program requirements:

- The executed original City Note (EDPA Program Note);
- Copy of the signed City Escrow Instructions;
- Certified copy of the executed City Promissory Note (EDPA Program Note);
- Certified copy of the executed City Deed of Trust (EDPA Program Deed);
- Certified copy of the City Employee Down Payment Loan Agreement (EDPA Program Agreement);
- Certified copy of the Request for Copy of Notice of Default;
- Certified copy of the Grant Deed;
- Certified copy of the First Deed of Trust;
- Certified copy of the First Note;
- Estimated Master Settlement Statement; and
- Certified copy of the executed Deed of Trust and Promissory Note for any other liens behind the EDPA Loan.

SECTION 10. Loan Calculation Examples:

A. Sample of Share of Appreciation: The City’s share of Appreciation is determined by dividing the amount of the EDPA Loan that is borrowed, by the Purchase Price.

\[
\text{EDPA Program Loan} \div \text{Purchase Price} = \text{City’s % of Share of Appreciation}
\]

If the Applicant receives an EDPA Loan in the amount of $100,000 and the Purchase Price of $900,000, the City’s share of Appreciation would be 11%.

\[
\text{\$100,000 Program Loan} \div \text{\$900,000 Purchase Price} = 11\% \text{ of share of Appreciation}
\]
B. Sample Calculation of Repayment Obligation

The following examples illustrate one possible repayment scenario at resale or repayment:

<table>
<thead>
<tr>
<th>Example 1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Resale Price:</strong></td>
</tr>
<tr>
<td><strong>Purchase Price:</strong></td>
</tr>
<tr>
<td><strong>Appreciation:</strong></td>
</tr>
<tr>
<td><strong>The EDPA Loan Amount:</strong></td>
</tr>
</tbody>
</table>

**Computation of City’s Proportional Share of the EDPA Loan / Purchase Price**

| % City’s Proportional Share x $ Appreciation: | $16,500 |

**TOTAL REPAYMENT AMOUNT DUE:**

|$116,500 |

C. Sample Calculation of a Partial Repayment

If a Borrower chooses to prepay only a part of the EDPA Loan, the payment that is made will be applied to both the amount of principal owned and the shared appreciation that the Borrower owns based on the following calculations:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EDPA Loan Amount</strong></td>
<td>$100,000</td>
</tr>
<tr>
<td><strong>Fair Market Value (established by a new appraisal)</strong></td>
<td>$1,050,000</td>
</tr>
<tr>
<td><strong>Purchase Price</strong></td>
<td>$900,000</td>
</tr>
<tr>
<td><strong>Total Appreciation (FMV – Purchase Price)</strong></td>
<td>$150,000</td>
</tr>
</tbody>
</table>

**Computation of City’s Proportional Share of the EDPA Loan / Purchase Price**

| % City’s Proportional Share x $ Appreciation: | $16,500 |

| **Prepayment Amount** | $50,000 |

**Amount of Prepayment Applied to Principal**

Initial Loan ÷ (Initial Loan + Share of appreciation)

$100,000 ÷ ($100,000 +$16,500) = .86% (% or prepayment)

Amount of Prepayment x Amount of Prepayment Applied to Principal

$50,000 x .86% = $43,000 applied to Principal balance

**Amount of Prepayment Applied to Shared Appreciation**

Share of Appreciation ÷ (Initial Loan + Share of appreciation)

$16,500 ÷ ($100,000 +$16,500) = .14% (% or prepayment)

Amount of Prepayment x Amount of Prepayment Applied to Share of Appreciation

$50,000 x .14% = $7,000 applied to the Share of Appreciation
## APPENDIX A: EDPA LOAN PROCESSING SUMMARY

<table>
<thead>
<tr>
<th>Steps</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Submit a Pre-Application</td>
<td><strong>Applicant</strong> submits a complete Pre-Application via the EDPA Program Administrator’s website, or delivery by mail, before the Pre-Application deadline.</td>
</tr>
<tr>
<td>2. Submit an EDPA Program Application</td>
<td>The EDPA Program Administrator will place all eligible Pre-Applications received by the Pre-Application deadline in the lottery. A lottery will be conducted to determine the rank order (see Section 7 Application Process). The EDPA Program Administrator will invite an eligible Applicant to submit EDPA Program Applications in lottery rank order and will review completed applications within 10 business days of completion. Letters indicating Conditional Approval and Reservation of Funds, or disqualification will be issued accordingly. Processing time may vary depending on the volume of applications received and the complexity of the loan. If an Applicant’s meet the EDPA Program criteria and there are funds still available for use, the City will issue a Conditional Approval and Reservation of Funds and reserve the EDPA funds for up to one hundred twenty (120) days. Extensions of Reservations are possible, as described in Section 8.3.(II)(III).</td>
</tr>
</tbody>
</table>
| 3. Execute a Sales Contract                  | - During the 120-day period, a Conditionally-Approved Applicant must enter into a contract of sale to purchase a Principal Residence.  
  - A pre-approved Applicant who has entered into a sales contract must immediately work with his/her/their First Lender on submittal of the Lender’s EDPA Program First Loan Package to the EDPA Program Administrator. |
4. Submit an EDPA Program First Loan Package

| **The First Lender** must submit a complete EDPA Program First Loan Package – Part 1 to the EDPA Program Administrator within five (5) business days following the execution of a sales contract between an Applicant and a seller.

**The First Lender** must submit a complete EDPA Program First Loan Package – Part 2 to the EDPA Program Administrator at least (5) business days before the close of escrow.

5. Submit an EDPA Program Property Package

| **Applicant** must submit a complete EDPA Program Property Package to the EDPA Program Administrator, at minimum twelve (12) business days prior to the close of escrow.

6. Issue an EDPA Program Final Approval

| Program Administrator and HCD will process the EDPA Program First Loan Package and Property Package and issue a Final Approval Letter.

7. Submit an EDPA Program Loan Funding Package

| **Title Company** must submit a complete EDPA Loan Funding Package to the EDPA Program Administrator, at minimum four (4) business days prior to the close of escrow.

8. Fund and Close an EDPA Program Loan

| The City will fund the EDPA Program Loan within four (4) business days from the time of approving the Loan Funding Package documents.