

MORTGAGE ASSISTANCE PROGRAM GUIDELINES

PROGRAM PURPOSE

The purpose is to provide mortgage assistance in the form of a silent second loan to low-income households, using federal, state, and local funds. The intent of this program is to assist people in qualifying for home mortgages and to encourage homeownership.

PROGRAM SCOPE

The Mortgage Assistance Program (MAP) offered by the Housing & Community [Services Development Department \(HCD\)](#) serves to assist families in the purchase of their first home. These general guidelines cover aspects of the loan offered under the Mortgage Assistance Program. There is a loan committee that approves each loan.

ELIGIBLE LOCATIONS

The eligible locations are County [of Orange](#) unincorporated areas and participating cities [in the urban county and metro cities](#). See addendum for a list of participating cities and respective programs. ~~OCDA funds can only be used in unincorporated areas.~~ [Participating and metro cities may be added or removed as approved by the Board.](#)

ELIGIBLE UNITS

In general eligible units are: Single-family homes, Planned Unit Developments (PUD), and Condominiums. 2-4 unit properties (depending on the funds available) are eligible if HOME funds are used (See addendum for further details).

ELIGIBLE APPLICANTS

Applicant(s) must be a first time homebuyer. They must have a gross annual household income that does not exceed 80% of the Orange County area median income, adjusted for family size.

PROGRAM PRIORITIES

The Mortgage Assistance Program (MAP) aims to promote homeownership opportunities for qualified Orange County residents. The program is designed to assist qualified households with the monies necessary to meet the down payment and/or closing costs requirement to purchase a property.

FUNDING SOURCES

The following funding sources are to be considered for the mortgage assistance loan: [Federal Community Development Block Grants \(CDBG\)](#); California State Housing and Community Development Department Funds (CalHome); [and, Federal Home Investment Partnership \(HOME\) funds.](#) ~~and, Orange County Development Agency (OCDA) funds.~~ [Additionally, as other sources may become available for homeownership, they may be utilized under these guidelines subject to approval by the Board of Supervisors.](#)

FINANCIAL CRITERIA

Each applicant must be able to provide 1% of the purchase price of the home in addition to the closing costs.

ELIGIBILITY CRITERIA

- All program applicants must be 1st time homebuyers.
- All program applicants must attend a 1st time homebuyer workshop [offered by a HUD Certified Housing Counseling Organization and taught by a HUD Certified Housing Counselor.](#)
- All program applicants must have a credit rating that is acceptable in the financial lending industry.
- ~~A recorded Deed of Trust will secure all loans.~~
- [Foreclosure and Bankruptcy will be deferred to lender guidelines.](#)
- Loans can be subordinated to conventional or other financing.

LOAN TERMS

A Deed of Trust on the property secures the loan. Total loan amount for an owner-occupied residence cannot exceed ~~\$80,000~~~~\$40,000~~. Total sales price shall not exceed 85% of the Orange County median sales price for all homes, which as of ~~2020~~~~2003~~ would be ~~\$726,750~~~~\$366,350~~ (85% of ~~\$855,000~~~~\$431,000~~).

- Loan term is thirty (30) years ~~(45 years if using OCDA funds).~~
- Deferred Payment Loan.

- Loans are not forgivable.
- An interest rate of 3% (simple) shall be used for all loans.
- All loans (principal and earned simple interest) are due and payable upon sale or transfer of interest or when property ceases to be owner occupied, with the exception of transfers between surviving spouses continuing to reside in the property.

RESALE RESTRICTIONS (OCDA ONLY)

If OCDA funds are used, covenants will be recorded against the property with a term of 45 years that limit occupancy to owners that meet income guidelines, and limit the affordable housing costs of the owner/occupants:

- The property can only be sold to a buyer who will live in the property and has a household income, adjusted for family size, that is at or below 80% of the Orange County area median income.
- For lower income households (incomes exceeding 50% but at or below 80% of Orange County median income):
 - The price and terms to the buyer will be such that the buyer's affordable housing costs shall not exceed 30% of 70% of the Orange County median income adjusted for family size appropriate for the unit.
 - For those households that have a gross income that exceeds 70% (but is at or below 80%) of Orange County median income, total housing cost may not exceed 30% of the gross income of the household.
- For very low income households (incomes at or below 50% of Orange County median income):
 - The price and terms to the buyer will be such that the buyer's affordable housing costs shall not exceed 30% of 50% of the Orange County median income adjusted for family size appropriate for the unit.
- Affordable housing costs include mortgage payments, property taxes, insurance, maintenance, homeowner's association dues, and a utility allowance.
- "Adjusted for family size appropriate for the unit," means a household of 1 for a studio unit, a 2-person household for a 1-bedroom unit, a 3-person household for a 2-bedroom unit, a 4-person household for a 3-bedroom unit, and a 5-person household for a 4-bedroom unit.
- If the property is subsequently sold to an eligible buyer at a price that would result in an affordable housing cost for the buyer, then the loan can be assumed by the buyer without triggering equity-sharing provision (as hereinafter described). Seller would retain 100% of the price appreciation, if any. However interest shall be prorated between the buyer and seller at close of escrow.

EQUITY SHARING PROGRAM (OCDA ONLY)

The property can be sold within the 45-year restriction period to an ineligible buyer, or for a price that exceeds that permitted by the affordable housing cost restriction, provided the equity appreciation is divided between the owner/seller and the County of Orange.

The allocation of the equity share shall divide the net proceeds of the sale (after selling costs), after repayment of the owner's down payment, the value of capital improvements, and costs to prepare the unit for sale, (but not including any improvements required to bring the unit to code), in the following manner:

Occupancy Period	Percent of Loan Payback	Percent of property appreciation ¹
Term of ownership	100% of accrued interest and principal	50% of the MAP loan share of the total purchase price ²
¹ Percent of property appreciation refers to the gain in property value allocated to the MAP.		
² For example, if the MAP loan were 10% of the acquisition price, the MAP share of the appreciation would be 5%.		
Total income to the MAP, including interest and share of property appreciation shall not exceed the rate permitted by law (10% per year as of 2003)		

As an example, if a buyer purchases a condominium for \$250,000, uses \$25,000 in OCDA funds as part of the purchase, and then sells it to a non-qualified household for \$350,000 5 years later, then a share of the appreciation, plus principal and accrued interest, will be due the OCDA. Since the OCDA funds accounted for 10% of the purchase price, the OCDA will receive 5% of the appreciation, or \$5,000, in this example. The interest due, at 3% per year simple interest (\$62.50 per month) would be \$3,750. Therefore the total balance due the OCDA at close of escrow would be \$33,750 (\$25,000 + \$3,750 + \$5,000).

APPLICATION PROCESS

Applications will be made available through [HCDthe County of Orange Housing and Community Services Department](#). Applications will be accepted on a year-round basis from eligible clients until all funds have been expended. Funding is provided on a first come, first served basis for applicants submitting complete application packages. Additional applications may be reviewed for funding throughout the year based on available resources.

Once the applicants are qualified, the committee approved applicant then is referred to Lender Partners who will then process each applicant for the first mortgage loan. Lender Partners will [have been selected by identified](#) through a [competitive](#) Request For Qualifications process.

PROGRAM OVERVIEW

The County of Orange, Housing & Community [Services-Development](#) Department ([HCDHCS](#)) contracts with a third party service provider for loan processing (application intake, loan processing, homebuyer education, etc.) of silent second home loans. [The County of Orange/HCSHCD](#) lends funds for the purchase of qualified homes through our contract with the Service Provider. The Service Provider under contract with the County of Orange/[HCS-HCD](#) is the primary contact. While the County of Orange acts as a lender in the MAP, it is the Service Provider who performs verification of applicant qualifications. The County of Orange/[HCS-HCD](#) monitors the performance of the Service Provider through in-house meetings and telephone conferences and will make a determination of continued participation based on the quality of work performed. As the recipient of public funds, the Property Owner's responsibility is to ensure they occupy the property for the duration of the loan period or begin paying back the loan plus 3% simple interest. The County of Orange/[HCS-HCD](#) reserves the right to amend this program overview if contracted services or program guidelines are modified or funds are expended. The Service Provider will be selected through a competitive process.

MAP LOAN COMMITTEE

The MAP Loan Committee includes the following members: [Housing Development ManagerHCS/Housing Finance & Policy \(HF&P\) Division Manager](#), Housing Development Administrator, and [Community Development Managerthe Project Manager](#). The Loan Committee will review and may approve all qualified applicants.

The Program Administrator will review all applications for completeness and applicability to program guidelines. If an application does not meet all guideline criteria and is recommended, "do not proceed", staff may bring the application to the Loan Committee for further review at a later date.

MONITORING [AND PORTFOLIO MANAGEMENT](#)

All [clients-homebuyer](#) may receive a monitoring visit approximately 60 days after the funding of the loan. The purpose of the visit is to ensure the owner occupies the residence. [Homebuyer are required to occupy the unit as their primary residence. Monitoring is done on an annual basis or according to funding requirements.](#)

[Portfolio Management](#)

[Housing and Community ServicesHCD](#) or a 3rd party service provider will manage the portfolio of loans and work with owners, buyers, and escrow agents to assure compliance, process documents for sales transactions, and protect the County assets invested in the program. Owners may refinance their properties provided their total housing costs remain affordable, and net refinance proceeds are used to pay down the MAP loan.

ADDENDUM A

OCDA	HOME	GDBG	CalHome
<p><u>Eligible Units:</u></p> <ul style="list-style-type: none"> • Single-family properties • NO 2-4 unit properties • Condos • Planned unit developments (PUDs) allowed <p><u>Eligible Locations:</u> County Unincorporated Areas</p>	<p><u>Eligible Units:</u></p> <ul style="list-style-type: none"> • Single-family unit • A two to four unit property • Condominium • Manufactured home <p><u>Eligible Locations:</u> County Unincorporated Areas and the following participating cities:</p> <p>Brea Cypress Dana Point La Palma Laguna Beach Laguna Hills Laguna Woods Los Alamitos Placentia Rancho Sta. Margarita San Clemente Seal Beach Stanton Villa Park Yorba Linda</p>	<p><u>Eligible Units:</u></p> <ul style="list-style-type: none"> • Single family property • Condominium <p><u>Eligible Locations:</u> County Unincorporated Areas and the following participating cities:</p> <p>Brea Cypress Dana Point La Palma Laguna Beach Laguna Hills Laguna Woods Los Alamitos Placentia Rancho Sta. Margarita San Clemente Seal Beach Stanton Villa Park Yorba Linda</p>	<p><u>Eligible Units:</u></p> <ul style="list-style-type: none"> • Single-family properties • NO 2-4 unit properties • Condos • Planned unit developments (PUDs) <p><u>Eligible Locations:</u> County Unincorporated Areas and the following cities:</p> <p>Brea Cypress Dana Point La Palma Laguna Beach Laguna Hills Laguna Woods Los Alamitos San Juan Capistrano (2021) Rancho Sta. Margarita San Clemente Seal Beach Stanton Villa Park Yorba Linda</p> <p><u>Metro Cities:</u> Placentia Yorba Linda Fullerton (2021)</p>