



California Housing Finance Agency

1121 "L" Street, 7th Floor Sacramento, CA 95814

Program Bulletin

March 18, 1999

Program Bulletin #99-06

To: CHFA Approved Lenders and Self-Help Nonprofit Developers

CHFA Self-Help Builder Assistance Program (SHBAP)

The Self-Help Builder Assistance Program (SHBAP) has been revised. The revised Development Loan Summary and the Builder-Lock (BLOCK) Forward Commitment Summary are attached for your reference and use.

SHBAP funds are available to nonprofit [501(C)(3)] developers that will utilize the mutual self-help housing construction concept to construct homes for qualified low-income, first-time homebuyers. The Development Loan provides up to \$300,000 for site acquisition, site development, and home construction. The BLOCK Forward Commitment provides funds for below-market interest rate permanent loans for first-time self-help homebuyers.

The only notable change from the previous SHBAP announcement (Bulletin #96-20) is:

- Forward Commitments are now made through the Block Program. Developments Loans may still be requested separately or in combination.

CHFA will not provide copies of this bulletin to the entire branch office network of each lender. Lender contact individuals that serve as liaisons with CHFA are requested to ensure that copies are distributed to interested branch offices. CHFA will provide copies of this bulletin upon request.

Questions regarding SHBAP may be directed to CHFA by writing to Single Family Programs, 1121 L Street, 7th Floor, Sacramento, CA 95814; or by calling (916) 324-8088.

CHFA SELF-HELP BUILDER ASSISTANCE PROGRAM (SHBAP)

DEVELOPMENT LOAN SUMMARY

I. Introduction

This Development Loan Summary is provided for the information of interested mutual self-help housing developers for application purposes for builder assistance funds in connection with developments using permanent mortgage funds from CHFA or another Mortgage Lender.

II. Purpose and Source of Funding

The purpose of the CHFA Self-Help Builder Assistance Program (SHBAP) Development Loan is to provide temporary funding for Self-Help developers for assistance with land acquisition, site development and construction. CHFA is currently prepared to fund up to \$2,000,000 of Development Loans each fiscal year (July 1 through June 30) using CHFA's Housing Assistance Trust (HAT) funds.

III. Self-Help Developer Eligibility Requirements

SHBAP Development Loans may be made only to 501(c)(3) nonprofit mutual self-help housing developers for homes constructed utilizing the mutual self-help method of construction. Only self-help developers that have previously completed at least one CHFA financed self-help development, or that will contract with a nonprofit mutual self-help organization that has completed CHFA-financed projects and is acceptable to the Agency, are eligible to apply.

IV. Eligibility Requirements

SHBAP Development Loan financing is intended only for mutual self-help developments that will provide housing to first-time low-income homebuyers whose CHFA take-out first mortgage loan does not exceed 80% LTV. The Agency will require, for SHBAP Development Loan eligibility purposes, that the development be designed to provide housing to homebuyers that meet CHFA's Home Mortgage

SHBAP Program Summary - Part I of II

Purchase Program (HMP) eligibility criteria: such as first-time homebuyers with incomes at or below 70% of median income (adjusted for family size) in High Cost Areas (as defined by CHFA); and at or below 60% of median income (adjusted for family size) in Other Housing Areas (as defined by CHFA). Eligible homes are those that sell at or below 90% of the Federal safe harbor sales price limits established for CHFA's bond funded Single Family Programs. Please refer to the SHBAP Forward Commitment Summary (attached) and the Single Family Program Manual for borrower, property, and loan eligibility requirements. The details in these documents will be amended from time to time through the issuance of CHFA Program Bulletins.

V. Loan Uses

Development Loans may be used for land acquisition, site development and construction costs for the production of mutual self-help housing in urban, rural, or other areas for low-income first-time homebuyers. Specifically, SHBAP loan proceeds may be used for acquisition of development sites (specific sites must be identified), site preparation expenses, off-site expenses, and on-site construction costs for self-help housing. Loan proceeds may be utilized in more than one category. Loans may not be used for administrative expenses.

SHBAP Development Loans will be approved and funded only upon reasonable anticipation that commitments can be obtained from a primary lender for construction financing, and from a mortgage lender or CHFA for the permanent take-out financing for the newly constructed homes. In underwriting the loan, CHFA will consider factors such as the past achievements of the developer, the availability of public and private financing for the self-help housing development, and the proposed cost of the land and housing.

VI. Competitive Bid for Funds

In the event that the demand for SHBAP Development Loan funds exceeds the amount of funds that are available, CHFA will prioritize the award of funds on a competitive basis. This competitive evaluation will emphasize the following:

- applications that are complete and for which required documentation has been submitted;
- applications that demonstrate that the project would not be feasible without the SHBAP Development Loan;

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- projects that will provide repayment of the SHBAP loan within the shortest period of time;
- an equitable geographic distribution of SHBAP Development Loan funds;
- projects in which a greater number of the units will be constructed under the mutual self-help construction method;
- projects that will leverage a greater portion of development, construction and permanent takeout funds from city, county, other state government agencies, and other sources; and
- projects in which the borrowers will contribute larger "sweat" equities towards the purchase of their homes.

Loan applications that are otherwise eligible for funding, but are not approved due to the unavailability of SHBAP funds, may be resubmitted (subject to a competitive evaluation and the above criteria) when funds become available.

VII. Loan Limits

The maximum SHBAP Development Loan will be limited to \$300,000 per development, with additional limitations as follow:

- land acquisition: The loan limit is up to 100% of fair market value of purchase;
- predevelopment expenses: loans for predevelopment expenses will not be funded unless they are directly related to specific site development or construction costs for the project; and
- site development and/or construction costs: the loan limit is up to the lessor of (1) aggregate cost to develop the lots or construct the units or (2) \$300,000.

VIII. Rates and Terms

SHBAP Development Loan funding commitments will normally be issued for a period of 1 year to 18 months depending upon the usage of funds. The SHBAP loan shall be repaid with the CHFA or other permanent take-out financing or at the expiration of the loan commitment, whichever occurs first. SHBAP loans will be deferred payment loans (have no monthly loan payments) for the stated period of the loan. The loan becomes immediately due and payable upon default of the terms of the loan. Partial payments will be accepted upon conveyance of the individual lots as they are sold or transferred. An annual interest rate is to be charged and will accrue at a rate equal to

SHBAP Program Summary - Part I of II

the daily yield earned on the State Treasurer's Surplus Money Investment Fund (SMIF). The interest rate will be established immediately prior to CHFA's issuance of escrow instructions. For the sake of illustration, this rate was 5.249% on January 26, 1999. SHBAP loans may be subordinated to the primary acquisition, development and/or construction loan. The developer, of course, must provide adequate security (lien against the land) for the loan funds advanced under this program.

IX. CHFA Take-Out Financing

The developer may obtain a CHFA Builder-Lock Forward Commitment for permanent take-out financing to finance the acquisition of homes in the development by qualified first-time low-income self-help homebuyers. Please refer to the attached Builder-Lock (BLOCK) Forward Commitment Summary (Program Summary Part II, attached) for additional information. Other sources of takeout funds should be described in the application. CHFA will review the application and underwrite the Development Loan in part on the basis of the project feasibility and eventual takeout of the Development Loan by the permanent mortgage loans.

X. Special Conditions

Insurance: Borrower will be required to provide evidence of insurance prior to CHFA disbursement of funds, as follows:

- comprehensive general liability insurance in the amount of at least \$1,000,000 for injury to or death of one person and \$1,000,000 for injury to or death of more than one person in one accident;
- course of construction insurance; and
- adequate property damage insurance.

Loan Documents: Before the Agency disburses funds to any developer (mutual self-help nonprofit developer), or to the authorized agent, the developer will be required to submit to the Agency the following executed documents which will have been prepared or required by the Agency:

1. Completed application including all required documents
2. A loan agreement
3. A promissory note
4. Security instrument(s)

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5. Complete ALTA Insurance Policy and required endorsements, including plat map
6. Evidence of comprehensive general liability insurance, course of construction insurance, and property damage insurance, in the amounts listed above
7. Any other documents CHFA finds necessary to complete the transaction

Loan Disbursements: Loan funds will be disbursed through escrow, by CHFA, or by a CHFA-designated disbursement agent to, or on the behalf of, the developer as specifically agreed in the loan agreement under disbursement procedures (generally under a work progress draw procedure). Developers must request disbursements in writing from the Agency in the agreed upon manner for disbursement of funds. Disbursement requests must be supported by evidence of an obligation that is due or is about to become due. CHFA will require a minimum of ten (10) working days to process the draw and disburse funds.

HUD/FHA Approvals: The intended self-help project must have or be able to obtain development (subdivision) approval by HUD/FHA for purposes of development eligibility for FHA mortgage insurance for CHFA permanent take-out financing.

Local, State or Federal Requirements: Developers will be required to abide by such local, State or Federal regulations as are applicable to the proposed housing development. These may include, but are not limited to: zoning ordinances; building codes; planning; historic preservation; environmental and relocation regulations.

Security: Each loan will be secured in a manner that adequately protects the interests of the Agency. Security may include, but is not limited to mortgages, deeds of trust or other liens on real property.

Progress Reports: Developers will be required to provide the Agency with quarterly reports on the progress of the self-help housing developments and the purposes for which the loan funds have been used. A Quarterly Progress Report is attached to this SHBAP Development Loan Summary for reference.

XI. Application Process

Interested self-help developers must submit a CHFA SHBAP Development Loan Application form (See attached Exhibits) with the required supporting documentation. Applications will be taken on a first-come first-serve basis. Applications must be

SHBAP Program Summary - Part I of II

submitted to CHFA at 1121 "L" Street, 7th Floor, Sacramento, CA 95814, to the attention of the Single Family Program, Special Programs Unit.

Completed applications will be reviewed by the Special Programs Unit for completeness of documentation. The review may include a visit to the proposed site. Recommendations for disposition of the loan application will then be made to the SHBAP Commitment Committee for final determination.

Depending on the completeness of the application, the Agency may require no less than 45 calendar days to review the application and make a final determination of approval or denial of the loan. Borrowers will be notified in writing of the Agency's decision and any special loan conditions, if approved, or reasons for rejections.

XII. Loan Termination

Loan commitments or loan agreements may be reduced or terminated by the Agency and the loan declared immediately due and payable if it is determined that:

1. one or more conditions to the loan commitment, agreement, or disbursement procedures have not been or will not be met;
2. development of the site or construction of the housing units is not progressing or is anticipated not to progress within a reasonable time as determined by the Agency; or
3. the objectives of the loan cannot be met; or
4. the term of the CHFA Forward Commitment or other Lender permanent take-out financing will not be met; or
5. it becomes clear during the the development/construction phase that take-out cannot occur because of market conditions, construction cost overruns, property devaluation, etc.; and/or
6. the Agency's security is jeopardized.

Land Purchase Loans: If the Agency determines that a purchased site cannot be developed by a borrower within the loan term, the borrower shall repay the loan.

XIII. Reconsideration Procedures

Borrowers whose applications have not been approved by the Agency may submit a request for reconsideration in writing to the Agency. Requests will be considered in accordance with the above criteria and decisions rendered will be final.

XIV. Information

For more information or assistance with the SHBAP program, call (916) 324-8088 or write:

California Housing Finance Agency
Specialty Lending Unit
Single Family Programs
1121 "L" Street, 7th Floor
Sacramento, CA 95814

**CALIFORNIA HOUSING FINANCE AGENCY
SELF-HELP BUILDER ASSISTANCE PROGRAM (SHBAP)
DEVELOPMENT LOAN APPLICATION**

Note: This application, if approved for funding, may be made a part of your contract with the Agency. The application has two sections. If you have any questions, call CHFA Single Family Programs at (916) 324-8088.

Please fill out each section as applicable. Attach additional pages as required. Label all exhibits. Submit to the Agency at the following address:

California Housing Finance Agency
Specialty Lending Unit
Single Family Programs
1121 "L" Street, 7th Floor
Sacramento, CA 95814

Applicant's Name _____

Address _____

Contact Person _____

Title _____ **Phone** _____

Name of Project _____

Address or Location of Project _____

Requested Amount and Use(s):

Land Acquisition \$ _____ for _____ units

Site Development \$ _____ for _____ units

Construction \$ _____ for _____ units

Other \$ _____ for _____ units

(Aggregate total of requested amount cannot exceed \$300,000)

SECTION I. APPLICANT INFORMATION

SHBAP Program Summary - Part I of II

1. Provide a description of the type of organization, history and experience with housing and other activities, including self-help construction. Include number of units and type(s) of housing developed, rehabilitated, and/or under management. If your organization receives FmHA 523 funds, indicate inclusive dates, amount of funds, and number of units covered by the grant(s).

If the above information was submitted in a past application to CHFA for a SHBAP loan, make reference to that application date, and provide new information as applicable.

2. Briefly describe each housing program your organization is currently implementing.
3. List the geographic area(s) where your program(s) operates.
4. List any program or financial assistance you have received from State HCD. Include dates and amounts and contact person for each contract/award. List previous CHFA commitment awards and projects.
5. Please provide amounts of funds and references from other funding sources with whom you have worked in the last three years. Include names, addresses, and phone numbers of contacts.

SECTION II. PROPOSED DEVELOPMENT

A. General Information

1. Project Name _____
2. Location (address) _____
3. New Construction: Yes ___ No ___
Housing Rehabilitation: Yes ___ No ___
4. Type of structures*:
_____ Single Family
_____ Half-Plex (title given to each half)
_____ Townhouse or condominium
_____ Manufactured home
_____ Other (specify) _____

* Please refer to the Single Family Program Manual for detail regarding eligible and ineligible properties and structures. These requirements apply whether or not a SHBAP BLOCK Forward Commitment will be utilized.

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5. Type of ownership*: Fee Simple Ownership of Lot
 Condominium
 Planned Unit Development
 Other (specify) _____

* Please refer to the Single Family Program Manual for details regarding eligible types of ownership and eligible borrowers.

6. Type of occupancy: Family
 Elderly
 Handicapped
 Other (specify) _____

B. Design Information

1. Total units _____
2. Number of dwelling structures _____
3. Number of units by bedroom size and square footage:
- | | |
|--|--|
| <input type="checkbox"/> 1 BR at _____ SF each | <input type="checkbox"/> 4 BR at _____ SF each |
| <input type="checkbox"/> 2 BR at _____ SF each | <input type="checkbox"/> 5 BR at _____ SF each |
| <input type="checkbox"/> 3 BR at _____ SF each | |
4. Number of stories _____ Elevator Yes No

C. Site Information (If development involves more than one site, please complete this section for each site.)

1. City _____
2. County _____
3. Street Address _____
4. Cross Streets _____
5. Legal Tract No. or Name _____
6. Size _____ acres; density _____ units/acres.

7. Approximate distance to:

Schools _____ Pharmacy _____ Food Market _____

Hospital _____ Park _____ Fire Dept. _____

Public Transportation _____ Type of Transportation _____

8. Describe status of site control and provide evidence of same (attach as an exhibit).

9. Purchase price of site \$ _____

10. Describe any adverse site features such as seismic activity; location near airport, freeway, or railroad tracks; location in flood plain; etc. Indicate any design features necessary to mitigate the adverse condition(s). Attach exhibit as necessary.

11. If loan funds are requested for site improvements, provide specific details on work items and cost. Attach exhibit as necessary.

D. Planning and Subdivision Approvals

1. What is the present zoning status for site? _____

2. If this project needs local subdivision approval, provide current status.

3. If this project needs Department of Real Estate approval, provide status of preliminary public report (pink paper) and final public report (white paper).

E. Financing

Please provide as an attachment, 1) the source, 2) amount, 3) evidence of financing or commitment, 4) pending status and conditions of the financing or commitment, 5) terms, and 6) expiration date for each of the following applicable categories of project financing:

- administration
- site acquisition
- off-site development
- on-site development
- construction/interim financing
- permanent primary financing (first loans)
- permanent second or other subordinate loans

Include commitment letters, loan agreements, notes, and deeds, as applicable, to substantiate each category of financing. **Indicate the succession of take-outs by each subsequent type of financing.**

F. Anticipated Completion Schedule

	<u>Activity</u>	<u>Anticipated or Actual Date</u>
1.	Administration funding will be obtained by _____	_____
2.	Site acquisition financing will be obtained by _____	_____
3.	Tentative Subd. Map will be obtained by _____	_____
4.	Final Subdivison Map will be obtained by _____	_____
5.	DRE pink report will be obtained by _____	_____
6.	DRE white report will be obtained by _____	_____
7.	Off-site development financing will be obtained by _____	_____
8.	On-site development financing will be obtained by _____	_____

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- | <u>Activity</u> | <u>Anticipated or Actual Date</u> |
|---|-----------------------------------|
| 9. Construction/interim financing will be obtained by | _____ |
| 10. Permanent financing will be obtained by | _____ |
| 11. Site option will expire on | _____ |
| 12. Title will transfer to your organization by | _____ |
| 13. Site development will begin by | _____ |
| 14. Unit construction will begin by (if phased construction, indicate timing) | _____ |
| 15. Construction will be completed by | _____ |
| 16. Full occupancy will be completed by | _____ |

G. Permanent Financing Structure

Provide the permanent financing structure for each model.

Square Feet:	<u>Model 1</u>	<u>Model 2</u>	<u>Model 3</u>	<u>Model 4</u>
	_____	_____	_____	_____
Sales Price	\$_____	\$_____	\$_____	\$_____
Sweat Equity	\$_____	\$_____	\$_____	\$_____
Cash Down Payment	\$_____	\$_____	\$_____	\$_____
1st Mortgage	\$_____	\$_____	\$_____	\$_____
2nd Mortgage	\$_____	\$_____	\$_____	\$_____
3rd Mortgage	\$_____	\$_____	\$_____	\$_____
4th Mortgage	\$_____	\$_____	\$_____	\$_____

H. Project Cost

Provide actual cost break-down or best current estimate. Attach, as an exhibit, an Estimate and Certificate of Actual Cost (FmHA 1924-13), Contractors Cost Breakdown (FHA 2328) or acceptable substitution. Include land, site development, and itemized construction costs (describe all amenities, including energy efficient items).

I. Marketing

1. Please provide, as an exhibit, any available quantitative information on the demand for housing of this type in this market area. Information may be available from local planning departments, housing authorities, Council of Governments, or Building Industry Assoc. (BIA). Identify the source of information.
2. Please provide, as an exhibit, an appraisal of the completed unit or an analysis of comparable home values that substantiate the sales prices that have been indicated.
3. Please provide, as an exhibit, a description of your efforts to find prospective occupants for this project. Include numbers of low-income households contacted and/or on waiting lists. discuss any issues which must be mitigated (e.g., undesirable neighborhood characteristics, difficulty in qualifying desired income range).

J. Project Administration

1. Indicate staff assigned to this project using the following format, repeating as necessary for each person or position.

<u>Job Title</u>	<u>Name of Staff Member</u>	<u>% of Time on Project</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

K. Construction Supervision

1. Who will supervise overall construction including subcontractors (trades) and self-help workers from start to finish of each unit in accordance with the construction plans? Attach resume.

2. Is the construction supervisor a general contractor? If yes, provide contractor license number and credit history, etc. Attach as exhibit if necessary.

L. Work to be Subcontracted

List trades or jobs that are to be subcontracted.

M. Self-Help Component

1. Percentage of work to be performed by participants _____%
2. Approximate number of hours to be worked per week by each household. _____
3. Estimated hourly rate used to compute sweat equity. _____
4. Number of months to complete project. _____
5. Provide description of activities performed by self-help participants.

N. Deed Restrictions

1. Will there be any **subordinate financing** provided by any level of government other than CHFA which will become a lien on the property? Yes __ No __

If **yes**, for any second lien:

Government entity name: _____

Type of financing (Farmworker Grant, CSHHP, Local Government Funds, etc.):

If **yes**, for any third lien:

Government entity name: _____

Type of financing (Farmworker Grant, CSHHP, Local Government Funds, etc.):

Please attach exhibit to describe additional liens.

2. Will there be any **other liens or deed restrictions** of any type imposed by any unit of government which will be attached to the Deed on this property? Yes __ No __

If **YES** to number 1, or 2 above, **do not submit an application**, unless this application is accompanied by an executed Locality/CHFA Subordinate Financing/Resale Restriction Agreement. Refer to Exhibit 3 for CHFA Program Bulletin #95-08, which provides the Agreement and provides CHFA's policies and procedures for allowable subordinate loans and/or resale restrictions.

Note: All documents, subordinate financing, resale controls will be subject to prior approval of CHFA, FHA, and execution of the above referenced Locality/CHFA Subordinate Financing/Resale Restriction Agreement.

O. Acknowledgement

Developer represents that the foregoing is true and correct.

Date: _____ Name: _____
Authorized Representative

Signature: _____

Title: _____

EXHIBITS TO BE ATTACHED FOR THIS APPLICATION

1. Copy of resolution authorizing this application
2. Copy of Articles of Incorporation and By-Laws (not required if previously submitted, and there have been no changes)
3. List of names of governing body of applicant
4. Financial statements including income statement, balance sheets, etc. for last two years
5. Copy of parcel map of proposed site
6. Copy of street location map of proposed site
7. Copy of proposed plans including site plan and specifications. (8 1/2 x 11 copies of plans, including floor plans and elevations, are acceptable)
8. Copy of most recent preliminary title report
9. Evidence of land value (appraisal) for construction purposes and completed units
10. CC&R's (for condominiums, PUD or where applicable); and homeowners association rules and regulations
11. Copy of Tentative or Final Subdivision Map
12. Copy of soils report
13. Any other additional information required to complete this application; and all exhibits required by this application, per Sections II.C.1-8, II.C.9, II.E., II.H., II.I.1-3, II.K.1-2, and II.N

Exhibit 1

RESOLUTION
SELF-HELP BUILDER ASSISTANCE PROGRAM LOAN
THE GOVERNING BOARD OF

HEREBY AUTHORIZES THE SUBMISSION OF A LOAN APPLICATION, THE INCURRING OF AN INDEBTEDNESS, THE EXECUTION OF A LOAN AGREEMENT AND ANY AMENDMENTS THERETO, A PROMISSORY NOTE, SECURITY INSTRUMENTS AND ANY OTHER DOCUMENTS NECESSARY TO SECURE A LAND ACQUISITION, DEVELOPMENT OR CONSTRUCTION LOAN FROM THE CALIFORNIA HOUSING FINANCE AGENCY.

WHEREAS

- A. _____ (name of applicant)
(hereinafter referred to as "Corporation") is a 501(3)(c) nonprofit corporate entity established under the laws of United States and the State of California and empowered to own property, borrow money, and give security for loans.
- B. The California Housing Finance Agency (hereinafter referred to as the "Agency") is authorized to make loans for the production of mutual self-help housing for low-income persons.
- C. The Corporation wishes to obtain from the Agency a Self-Help Builder Assistance Program Loan for land purchase, development, or construction purposes for the development of such housing.

IT IS NOW RESOLVED THAT:

- 1. The Corporation shall submit to the Agency an application for a Self-Help Builder Assistance Program loan for the low-income mutual self-help housing project to be developed in the City of _____, County of _____.

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2. If the loan is approved, the Corporation is hereby authorized to incur indebtedness in an amount not exceeding the amount approved by the Agency and to enter into a loan agreement with the Agency for the purposes set forth in the loan application and approved by the Agency. It also may give a promissory note, and execute security and other instruments necessary or required by the Agency to evidence and secure the indebtedness.
3. The Corporation is further authorized to request amendments, including increases in loan amounts up to amounts approved by the Agency, and to execute any and all documents required by the Agency to evidence and secure these amendments.
4. The Corporation authorizes _____ (name[s] of authorized officer[s]) to execute in the name of the Corporation, the loan application and the loan agreement, promissory note, security instruments or documents, and other documents necessary or required by the Agency for the making and securing of the loan, and any amendments thereto.

PASSED AND ADOPTED THIS _____ day of _____, 19__, by the following vote:

AYES: ____ NAYS: ____ ABSTAIN: ____ ABSENT: ____

The undersigned _____ Secretary of the Corporation heretofore named does hereby attest and certify that the foregoing is a true and full copy of a resolution of the Board of Directors adopted at a duly convened meeting on the date above-mentioned, which has not been altered, amended, or repealed.

Date Secretary

Notes:

1. This is intended to be a model for resolutions authorizing loan applications. Applicants may use their own format if it contains substantially all the authorizations in the model.
2. This model uses language appropriate to a nonprofit corporation.

SELF-HELP BUILDER ASSISTANCE PROGRAM

QUARTERLY PROGRESS REPORT

For the Quarter Ending: _____, 19____

Developer: _____ Telephone Number: (____) - ____ - _____

Contact: _____ Lender: _____ # _____

Project Name: _____ CHFA #: _____ # of Units: _____

Address/Location: _____ City: _____ Exp. Date of SHBAP: _____

Expected Completion Date: _____ SHBAP Loan Remaining: _____

SHBAP Funds Used For: Land Acquisition Site Development Construction Costs Other _____

Project Type: New Construction Rehabilitation **(Please indicate all that apply)**

ACTIVITY OF STAGE OF CONSTRUCTION:

Offsite, Street, Curbs, Gutters, etc. _____% Land cleared, Slab forms, Rough plumbing _____%

Foundation poured _____% Slabs _____%

Framing _____% Exterior walls, Roofing _____%

Interior walls, drywall _____% Sheet metal, Taping, Texture, Paint _____%

LOAN PROCESSING ACTIVITY:

Families selected Appraisals: ordered ; completed # of Loans Approved by Lender _____ CHFA _____ FHA _____

Comments: _____

Developer's Certification: _____ Title: _____ Date _____

SELF-HELP BUILDER ASSISTANCE PROGRAM (SHBAP)

BUILDER-LOCK (BLOCK) FORWARD COMMITMENT SUMMARY

I. INTRODUCTION

This Program Summary is provided for the information and use by lenders/developers interested in originating loans for purchase by the Agency under the CHFA Self-Help Builder Assistance Program (SHBAP). It is subject in all respects to the CHFA Single Family Program Manual (as updated periodically with Program Bulletins) and the Servicer's Guide. All loans purchased pursuant to this program must comply with the Federal Internal Revenue Code provisions for single family mortgages.

II. PROGRAM PURPOSE

The purpose of the Builder-Lock Program in the Self-Help Builder Assistance Program is to provide permanent mortgage financing for **low income first-time homebuyers** who provide "sweat equity" in order to purchase single family homes for occupancy.

The Agency intends to provide funds for 30-year, fixed-rate, first-mortgage loans for developments sponsored by 501(c)(3) nonprofit developers utilizing the mutual self-help construction concept, in which the individuals and families perform a portion of the construction of the units as determined and directed by the nonprofits. All homebuyers are required to provide "sweat equity", the amount of which will be determined by the nonprofit developer.

The loans must be FHA-insured, CaHLIF-insured, or VA-guaranteed. Lenders must be cautioned that the loans are subject to the requirements of the mortgage insurers/guarantors and that LTV ratios and credit for "sweat equity" must be acceptable to the insurer/guarantor. In most scenarios, CHFA anticipates that FHA will be the mortgage insurer of choice.

The funds will be provided through the new Builder-Lock (BLOCK) Program. Developers may purchase pools of funds for 12 or 18 months forward through CHFA approved Lenders.

III. SOURCE OF FINANCING

The Agency's source of funds for the BLOCK commitment will be from the sale of tax-exempt mortgage revenue bonds (MRBs) under the Home Mortgage Purchase Program (HMP).

IV. MORTGAGE INTEREST RATES, TERMS, AND COMMITMENT FEES

The Agency will offer 30-year, fixed rate mortgage funds with an interest rate that is below conventional market rates. Currently, the interest rate is 5%. CHFA intends to offer this rate continuously, subject to bond market conditions and financial constraints.

A SHBAP BLOCK Commitment is an agreement to purchase loans from a CHFA-approved mortgage lender 1) for approved developments, 2) for a specified period of time (12 or 18 months), and 3) with specified terms (described herein). Loans will be purchased at the appropriate discount fee as set forth herein. Loans delivered by the lender for purchase by CHFA within the 30-day grace period (after expiration of the commitment) will be purchased at an additional discount as described herein.

A SHBAP Builder-Lock Commitment may be utilized separately or in conjunction with a SHBAP Development Loan (refer to the SHBAP Development Loan Summary).

This program will offer the following Commitment Terms/Fees:

- 12 Months for 1.0% (1 point) of the requested funds
(.25% cash at application; .75% discount upon loan purchase)
- 18 Months for 1.5% (1-1/2 points) of the requested funds
(.25% cash at application; 1.25% discount upon loan purchase)
- SHBAP Developers would also have access to a 90-day lock at the standard SL program interest rate applicable for nonprofit developers new construction loans

A loan file must be conditionally-approved (or "approvable") by 4:00 p.m. on the expiration date shown on the Forward Commitment Transaction Record (FCTR), **or** on the following business day, if that day falls on a Saturday, Sunday or holiday. "Approvable" means that there are no errors or omissions in the package submitted for conditional approval by the commitment expiration date. Closing documents for conditionally-approved loans that are delivered after the expiration dates cited above, but within 30 days following the commitment expiration date, will be accepted by CHFA; however, CHFA will charge an additional .50% (1/2 point) as a discount at purchase to be netted from the loan proceeds remitted to the lender. The late delivery fee cannot be passed on to the borrower. Loan deliveries after the 30-day grace period will not be accepted.

As an incentive for early delivery, CHFA will charge commitment fees only for the time the funds are held. Thus, if a loan is delivered against an 18-month commitment and purchased within the first 12 months, the lender will be charged the discount attributable to 12-month commitments. If the developer is assessed the full commitment fee upon close of escrow of a particular loan, as

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in the example above, then the lender will have the responsibility to rebate the excess fees to the developer.

CHFA will retain all cash commitment fees paid up front against initial commitment amounts for which loans were not delivered.

Self-help BLOCK Commitments may be extended an additional six months upon request at least two weeks before the initial commitment expiration for an additional fee of .50% (1/2 point) collected as a discount at purchase. The maximum term for any commitment, including all extensions, is 24 months.

V. PARTICIPATING LENDERS

A. Approved Participating Lenders

CHFA will supply an updated list upon request.

B. Purchasing a Forward Commitment through the BLOCK

This section is a general overview subject to additional detail in the amended Lender Access System (LAS) Manual.

On any business day, a developer may contact a CHFA-Approved Lender to request an FC under the BLOCK Program. The lender will have access to that day's interest rates and the commitment fees and terms for a FC. By accessing CHFA's computer through the LAS, the lender, using the developer's code, under the option "Request a Commitment (New Construction)", may purchase a commitment, providing there is a balance available under the allocation cap. When the required information is entered as to the amount and term of the commitment, fees due will be calculated, and the system will generate a Forward Commitment Transaction Record (FCTR). This is the "receipt" for a specific commitment request. The request will be confirmed by CHFA upon receipt of cash commitment fees as required within 10 days of the request. Fees must be submitted on the lender's corporate check made out to "California Housing Finance Agency" or "CHFA". The CHFA-Approved commitment number will be utilized by the lender for the subsequent reservation of individual FC loans in the LAS.

For nonprofit developers who have never used CHFA financing, a copy of the incorporation papers and the 501(c)(3) authorization letter from IRS is required prior to confirmation of a commitment. Self-help housing developers must have prior experience with mutual self-help housing and the necessary resources to provide adequate technical assistance to self-help families. Depending on the level of experience, CHFA may require the developer to hire another experienced nonprofit self-help developer to provide construction supervision or other functions.

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CHFA will process FC transactions daily and issue FC confirmations generally within a few days. CHFA reserves the right to require additional information from nonprofit/SHBAP developers on their developments. At a minimum, CHFA requires completion of the Development Information Form (DIF). See Exhibit 2. Review of additional information could extend the amount of time necessary for CHFA to issue commitment confirmation.

All FC's will expire on the last day of the month. Those commitments confirmed between the 1st to the 15th of the month will have a last-day-of-the-month expiration date 12 or 18 months into the future. Those confirmed between the 15th and the end of the month will be set to expire at the end of the next month. Copies of the confirmed FCTR will be sent to the lender's corporate contact and to the developer.

If subordinate financing will be used in conjunction with CHFA financing, all documentation for the subordinate financing program must be approved by CHFA prior to a forward commitment.

A CHFA/Subordinate Lender and Resale Control Agreement, executed by the subordinate lender, must be submitted with the subordinate financing documentation attached.

VI. BUILDER-LOCK (BLOCK) FORWARD COMMITMENT

A. CHFA Commitment and Reservation Process

Please see Lender Access System (LAS) User Manual.

B. Nonprofit Developer Allocation Caps

An allocation cap has been determined for each Nonprofit Developer based on its production with CHFA over the past two years. Nonprofits that have not originated CHFA loans during the previous two-year period, will be eligible for the minimum allocation cap of \$1,000,000.

C. Loan Reservations

All reservations under the BLOCK Forward Commitment are made through the LAS process. (Please see LAS User Manual)

D. Conditional Loan Approval

The lender may submit a loan package for conditional approval to CHFA any time up until the expiration date of the commitment (See Section IV above). **However, CHFA strongly recommends that loans to self-help borrowers be underwritten by the lender and submitted for conditional approval prior to the start of construction.** This would lessen the chance that ineligible borrowers are permitted into the self-help construction process. To ensure timely delivery before commitment expiration, the Agency also recommends that all

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loans be submitted for conditional approval no later than 40 days before the end of the commitment. CHFA will conditionally approve loans based upon the income limits and borrowers' incomes that are in effect at the time of conditional approval.

The Agency will not purchase a loan that has not been previously conditionally approved. Sections VII through IX of this Summary provides some details on Tax Act and program eligibility, including borrower, property and loan requirements.

Please refer to the CHFA Program Manual and Bulletins for complete program eligibility and loan submission requirements.

E. CHFA Purchase

Once the Agency has conditionally approved the loan, the lender may close and fund the loan and submit the loan for purchase. Closing documents must be received, in purchasable condition, by 4:00 p.m. on the expiration date of the commitment, or the business day after expiration, if that date falls on a Saturday, Sunday or holiday. There is a 30-day "grace" period after commitment expiration for the lender to submit closing documents on loans that were conditionally approved **before** commitment expiration. Loans submitted during this time will be subject to a 0.5% late delivery fee. (See Section IV). The borrower may not be charged this additional late delivery fee.

Please refer to the CHFA Program Manual for correct loan purchase procedures.

VII. BORROWER ELIGIBILITY REQUIREMENTS

A. Sweat Equity Requirement

Forward Commitments under the Self-Help Builder Assistance Program are restricted to loans for first-time homebuyers who provide "sweat equity" by performing a portion of the home construction under the direction of a 501(c)(3) nonprofit housing developer that utilizes the mutual self-help construction method.

B. Income Limits:

As the income limits are revised from time-to-time, please refer to the current Program Bulletin regarding income limits.

C. Other General Borrower Requirements:

Complete borrower eligibility requirements are detailed in the Single Family Program Manual and the supporting documents or Bulletins.

VIII. PROPERTY ELIGIBILITY REQUIREMENTS

A. Sales Price Limits (See Exhibit 1)

The Agency will accept loans for purchase on new, not previously-occupied, single family units that have sales prices that are within the new construction limits established for each county in **Exhibit 1**.

The sales price limits may be revised from time-to-time.

B. Other General Property Requirements

Complete property eligibility requirements are detailed in the Single Family Program Manual and Bulletins.

IX. LOAN REQUIREMENTS

A. General Loan Requirements

Complete loan requirements are detailed in the Single Family Program Manual and Bulletins.

B. Resale Controls/Secondary Financing

Secondary financing and resale controls will be accepted only if provided by local or State government. **CHFA approval is required on all subordinate financing and resale control proposals and must be obtained prior to CHFA's award of a Forward Commitment for the development.** All secondary financing and resale controls must be subordinated to CHFA's first mortgage, must be in compliance with Tax Law, and have the prior approval of FHA, VA or CaHLIF, as applicable.

All subordinate loan and resale control documents must be submitted to CHFA at the earliest possible date. The Agency will forward each proposal to CHFA's Bond Counsel for review. **CHFA will not award a BLOCK Forward Commitment until these documents have been approved by CHFA Bond Counsel.** The lender must submit a CHFA/Subordinate Lender Agreement that has been executed by the State or local governmental agency with the subordinate loan or resale control documentation attached. Interested parties may obtain more information by referring to the CHFA Single Family Program Manual.

X. LOAN SERVICING

Refer to the Servicer's Guide and applicable Program Bulletins.

Exhibit 1

SELF-HELP BUILDER ASSISTANCE PROGRAM

FORWARD COMMITMENTS

SALES PRICE LIMITS

Alameda	\$199,930
Contra Costa	\$199,930
El Dorado	\$153,708
Imperial	\$169,109
Lake	\$169,109
Los Angeles	\$230,564
Marin	\$224,072
Monterey	\$169,109
Napa	\$173,303
Orange	\$229,883
Placer	\$153,708
Riverside	\$149,599
Sacramento	\$153,708
San Benito	\$169,109
San Bernardino	\$149,599
San Diego	\$149,933
San Francisco	\$224,072
San Luis Obispo	\$169,109
San Mateo	\$224,072
Santa Barbara	\$169,109
Santa Clara	\$237,705
Santa Cruz	\$169,109
Siskiyou	\$169,109
Solano	\$173,303
Sonoma	\$169,109
Tehama	\$169,109
Trinity	\$169,109
Ventura	\$169,109
All Other Counties	\$169,109