

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**DIVISION OF FINANCIAL ASSISTANCE****Building Equity and Growth in Neighborhoods**

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www.hcd.ca.gov**BEGIN MANAGEMENT MEMO: #13-01****DATE:** August 20, 2013**TO:** All BEGIN Award Recipients**FROM:**  Coral Gaines, BEGIN Program Manager**THROUGH:**  Rebecca Matt, Homeless and Housing Assistance Section Chief**SUBJECT:** Short Sales of BEGIN Funded Homes**Purpose**

The purpose of this memo is to notify all BEGIN Recipients that the Loan Principle of BEGIN Loans cannot be forgiven and that the Recipients would be required to repay into their BEGIN Reuse Account the difference of what is recovered via short sale and what the borrower owes.

Background

The BEGIN Program funds that have been awarded to the Recipients are to be used for down payment assistance to qualifying first-time homebuyers of low and moderate incomes purchasing newly constructed homes in a BEGIN project. The BEGIN Program is governed by the BEGIN Statute (California Health and Safety Code Sections 50860-50866), BEGIN Program Guidelines, BEGIN Operations Handbook and the CalHome Program Regulations (California Health and Safety Code Sections 7715-7756).

It is clearly expressed in the applicable CalHome Program Regulation, section 7726 (d), that "Loan principal shall not be forgiven except as allowed by statute." The word "shall" is mandatory not permissive. A foreclosure may be distinguished from a short sale in that a foreclosure is a forced sale (nothing is voluntarily forgiven), whereas a short sale is a voluntarily negotiated agreement.

Cities/counties (Recipients) may agree to short sales if they wish, but the entire principal sums on the BEGIN loans would need to be paid to the Recipient's BEGIN Reuse Account. If the funds recovered by the Recipient through a short sale are insufficient to repay the BEGIN loan amount, then the Recipient must make up the difference. Recipients may allow forgiveness of all or a portion of the accrued interest.

Have Questions

If you have questions about the information in this Management Memo, or any other questions regarding the BEGIN Program, please contact the Program Representative for your BEGIN project. Staff will be happy to assist you.