

# **Joe Serna, Jr. Farmworker Housing Grant Homeownership Program**

## **2024 Program Guidelines**



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**SERNA HOMEOWNERSHIP  
2024 PROGRAM GUIDELINES**

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## ARTICLE I. GENERAL OVERVIEW

### Section 100. Purpose and Scope

- (a) These Guidelines implement and interpret [California Health and Safety Code \(H.S.C.\) Chapter 3.2 \(commencing with §50515.2\), Part 2, Division 31](#), which establishes the Joe Serna, Jr. Farmworker Housing Grant Program (Program, Serna or FWHG) administered by the California Department of Housing and Community Development (Department/HCD).
- (b) These Guidelines do not apply to rental housing developments. Rental housing uses will be governed under a separate set of Program Guidelines located at <https://www.hcd.ca.gov/grants-and-funding/supernofa/final-program-guidelines>.
- (c) These Guidelines implement [Assembly Bill \(AB\) 434 \(Chapter 192, Statutes of 2020\)](#), which amends [H.S.C. §50517.5](#). AB 434 requires the Department to harmonize the Serna Program with the CalHome Housing Program in four respects: 1) Serna Program funds are to be made available at the same time as CalHome funds; 2) Serna Program applications are to be rated and ranked in a manner consistent with CalHome applications; 3) Serna Program funds are to be administered consistent with CalHome; and 4) Serna Program Loan terms are to be consistent with CalHome Loan terms to the greatest extent possible.
- (d) Nothing in these Guidelines is intended to be, nor should be, interpreted to amend or repeal rules, regulations or requirements set forth in prior versions of Serna Guidelines or their amendments; these Guidelines shall have no retroactive application. These Guidelines shall, however, supplant and replace all prior versions of Guidelines for the purposes of applying to the funding offered subsequent to their publication.
- (e) The requirements set forth in these Guidelines are subject to AB 1010 (Stats.2019, c. 660), which is set forth in H.S.C. §50406, subdivision (p). Accordingly, and pursuant to H.S.C. §50406, subdivision (p), (a) where the provisions of tribal law, tribal governance, tribal charter, or difference in Tribal Entity or agency legal structure would cause a violation or not satisfy the requirements of these Guidelines, said requirements may be modified as necessary to ensure program compatibility; and (b) where provisions of tribal law, tribal governance, tribal charter, or difference in Tribal Entity or agency legal structure create minor inconsistencies (as determined by the Director of the Department or a duly authorized designee thereof) with the requirements set forth in these Guidelines, the Department may waive said requirements, as deemed necessary, to avoid an unnecessary administrative burden. Matters set forth or otherwise provided for in these Guidelines that may be modified or waived include, without limitation, threshold requirements and any other matters

set forth in H.S.C. §50406, subdivision (p)(2). **Please note that AB 1010 does not automatically operate to obviate, or otherwise modify, any provision(s) of these Guidelines.** To the extent that a Tribal Entity applicant believes that AB 1010 is applicable to such Tribal Entity, their Application, the Project to which their Application relates, or any number of them, it is recommended that such Tribal Entity applicant submit an **AB 1010 waiver request** to the Department **before applications are due** under the applicable NOFA to ensure that the Department has adequate time to review such waiver request and render a decision granting, or rejecting, the request.

- (f) Pursuant to [AB101 \(2019-2020, Reg. Sess.\), Chapter 159](#), signed into law on July 31, 2019, the matching share requirement of the Program is no longer required.
- (g) Pursuant to AB 1783 ([2019-2020 Reg. Sess.](#)), funding is prohibited for use in housing H-2A workers. See [AB 1783 \(2019-2020 Reg. Sess.\)](#), effective January 1, 2020, as modified by [AB 107 \(2019-2020 Reg. Sess.\)](#).

**NOTE: Authority Cited:** [HSC §50406\(n\)](#), [50406\(p\)](#), [HSC §50517.5\(a\)\(1\)\(B\)\(iii\)](#), [HSC §50517.5\(a\)\(1\)\(C\)\(iii\)](#), [HSC §50517.5\(a\)\(1\)\(C\)\(iii\)](#), [HSC §50650.2](#), [HSC §50517.5\(b\)\(1\)\(g\)](#), and [HSC §50517.5\(b\)\(1\)](#).

## Section 101. Definitions

In addition to the definitions found in [Chapter 2 \(commencing with §50050\), of Part 1 of Division 31, H.S.C.](#), the definitions in Appendix A of these Guidelines shall apply to this subchapter. In the event of a conflict, the definitions in Appendix A of these Guidelines shall prevail for the purposes of these Guidelines and application. The defined terms will be capitalized as they appear in the guideline text. References to sections herein refer to sections of these Guidelines unless otherwise noted.

## ARTICLE II. GENERAL PROGRAM REQUIREMENTS

### Section 200. Eligible Applicants

To be eligible to apply for funding, the Applicant shall be a Local Public Entity, Local Public Agency, Tribal Entity, Nonprofit Corporation, Limited Liability Company, or Limited Partnership. Appendix B of these Guidelines contains more details on tribal eligibility. In the case of a Nonprofit Corporation, Limited Liability Company, or Limited Partnership, they shall demonstrate to the Department's satisfaction that the Applicant is independent from any direction of, or control by, a for-profit entity and shall meet the requirements of §200.1 and 200.2 of these Guidelines.

#### (a) Geographic Restrictions

- (1) A Local Public Entity that is not a Tribal Entity shall only be eligible to apply for an Award of Program Funds for a Local Program or project located within its jurisdictional boundaries. A Tribal Entity shall be eligible to apply for an award of program funds for a Local Program or project located anywhere within the state of California, as long as the Tribal Entity has provided documentation establishing site control.
- (2) A Nonprofit Corporation or Tribally Designated Housing Entity shall only be eligible to apply for an Award of Program funds for a Program or Project if it has developed a Project or operated a housing program in California within the past two years or if the Nonprofit Corporation or Tribally Designated Housing Entity has an existing 523 Self-Help Technical Assistance Grant Agreement with the United States Department of Agriculture (USDA).

#### (b) Stability and Capacity

- (1) To be eligible for funding, the Applicant shall demonstrate to the Department's satisfaction that it has sufficient organizational stability and capacity to carry out the Activity for which it is requesting funds.
- (2) In order to demonstrate organizational stability, the Applicant shall have been operating as a housing Developer or housing program administrator for a minimum of two years prior to the date of application. In cases of Tribal Entities, HCD may consider any experience a Tribal Entity has with the Indian Home Loan Guarantee program under Section 184 of the Housing and Community Development Act of 1992. An Applicant may subcontract with an Administrative Subcontractor to qualify toward the organizational stability and experience requirement. The Administrative Subcontractor may be located anywhere within the state of California. A legally binding agreement between the Applicant and the Administrative Subcontractor must be submitted with the application. Multiple Applicants may establish a consortium (provided there is a legally binding agreement between the parties) with a single Administrative Subcontractor. One Applicant shall apply on behalf of other entities in a

consortium. In the event an Administrative Subcontractor cannot, or fails to, fulfill its obligations under the applicable legally binding agreement for the full term thereof, a Homeownership Super NOFA (HOSN) Recipient must secure a new Administrative Subcontractor and provide HCD a new legally binding agreement within 90 days of when the previous legally binding agreement terminated. The new Administrative Subcontractor is obliged to fulfill the same experience requirements as the previous Administrative Subcontractor. The Recipient is required to submit this new legally binding agreement and experience documentation to HCD for approval. If an Applicant does not have a legally binding agreement in place and approved by HCD within 90 days of losing their Administrative Subcontractor, their HOSN awarded funds will be disencumbered.

- (3) A Nonprofit Corporation must be a corporation whose exempt purposes for the two years prior to the date of application have included the Activity for which it is applying.
- (4) A Nonprofit Corporation shall also demonstrate financial stability to the Department's satisfaction through audited financial statements submitted for Department review as part of its application for funding.
- (5) An Applicant shall also meet the additional stability and capacity requirements set forth in these Guidelines for the specific Activity for which it is applying.
- (6) To the extent necessary to address a presidential declaration of disaster or emergency, or a "state of emergency" or a "local emergency" declared by the Governor under Government Code ("[GC](#)") [§8571](#), the Department may alter or waive state-required criteria set forth in this subsection (b), to the extent otherwise allowed by law.

(c) Reporting Requirements

- (1) Recipients shall submit outstanding reports from previous Program Awards to the Department by the application date (as specified in the Notice of Funding Availability (NOFA)). Failure to submit the reports by the application date will make the Recipients ineligible for a Program Award.

(d) Community-Based Developers

- (1) Solely for the purpose of applying to the Community-Based Developer funding target, a Community-Based Developer shall only qualify as an eligible Applicant if the Community-Based Developer meets the experience requirements set forth in Appendix A.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50517.5\(a\)\(1\)](#), [HSC §50650.2](#), [HSC §50650.7](#), [HSC §50104.6.5](#), [25 USC 4103](#); [HSC § 50517.5\(e\)](#).

## Section 200.1 Serna Limited Partnership Eligibility Requirements

- (a) To be eligible to apply for funding, a Limited Partnership shall demonstrate to the Department's satisfaction that it is controlled by a Nonprofit Corporation, Limited Liability Company, or a combination of both. If the Limited Partnership is controlled by a Limited Liability Company, the Limited Liability Company shall demonstrate to the Department's satisfaction that it is controlled by a Nonprofit Corporation. **For Profit Organizations are not eligible**, and all general partners (whether "managing," "administrative," or other) of the Limited Partnership must be a Nonprofit Corporation, or if a Limited Liability Company, a nonprofit Limited Liability Company or one where all members of the Limited Liability Company are Nonprofit Corporations.
- (b) In making its determination, the Department shall consider the Limited Partnership agreement, any Limited Liability Company operating agreement, the articles and bylaws of any Nonprofit Corporation, and any pertinent side agreements, between limited and general partners relating to the management and operation of the Limited Partnership (collectively, "organizational documents").
- (c) In order to demonstrate control, a Nonprofit Corporation or Limited Liability Company must have the authority to perform substantially all of the following functions, as shown in the organizational documents:
- (1) Employ and maintain a staff that has the experience and ability to perform the responsibilities and function of the partnership;
  - (2) Hire and oversee the work of all persons necessary to provide services for the management and operation of the Limited Partnership;
  - (3) Execute and enforce all contracts executed by the Limited Partnership;
  - (4) Execute and deliver all partnership documents on behalf of the Limited Partnership;
  - (5) Prepare or cause to be prepared all reports to be provided to the partners and lenders on a monthly, quarterly, or annual basis consistent with the requirements of the Limited Partnership agreement;
  - (6) Monitor compliance with all governmental regulations and file or supervise the filing of all required documents with governmental agencies;
  - (7) Acquire, hold, assign, or dispose of partnership property or any interest in partnership property;
  - (8) Borrow money on behalf of the Limited Partnership, encumber Limited Partnership assets, place title in the name of a nominee to obtain financing, prepay in whole or in part, refinance, increase, modify, or extend any obligations;



- (9) Pay organizational expenses incurred in the creation of the partnership and all operational expenses;
- (10) Determine the amount and timing of distributions to partners and establish and maintain all required reserves.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50650.2](#), [HSC §50650.7](#)

## **Section 200.2 Serna-Nonprofit Corporation Eligibility Requirements**

For all Applicants where a Nonprofit Corporation is part of the ownership structure, the involved Nonprofit Corporation shall meet the following requirement:

- (a) The articles and bylaws shall clearly demonstrate that the corporation's authorized mission includes the provision of Affordable or Low-Income housing.
- (b) Any fees earned as a general partner shall remain with the corporation. No fees shall be assigned to a for-profit organization.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [§50517.5\(e\)\(5\)\(6\)](#), [HSC §50650.2](#), and [HSC §50650.7](#).

## **Section 201. Eligible Activities**

Pursuant to [H.S.C. §50517.5](#) Eligible Activities are:

- (a) Homeownership Development Project Loans:
  - (1) Single or Multifamily Housing new construction Projects in which ultimately Agricultural Households hold title to the Assisted Units;
- (b) Self-Help Technical Assistance Grants;
- (c) Mortgage Assistance Grants;
- (d) Owner-Occupied Rehabilitation Grants; and
- (e) Acquisition of Manufactured Housing Grants.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50650.2](#), [HSC §50650.3](#), and [HSC §50650.7](#),

## **Section 202. Eligible and Ineligible Uses of Funds**

- (a) Eligible uses of funds for specific activities are set forth in the guideline provisions that directly address each Activity.

- (b) Program funds shall not be used for any of the following costs that may be incurred in the Program or Project:
- (1) Refinancing of existing Serna funds, except Serna funds may be used for site acquisition bridge Loans with a term of 36 months or less on Homeownership Development Projects.
  - (2) Costs associated with the Rehabilitation or repair of property owned by a Mobilehome Park owner.
  - (3) Offsite improvements (improvements outside the boundaries of the subdivision or individual parcels for scattered site development).
  - (4) Unit construction costs, except in Owner-Occupied Rehabilitation Local Programs. Construction Period Expenses for development of new Homeownership Projects are permitted; such Construction Period Expenses do not include unit construction costs.
  - (5) Recurring Loan closing costs.
  - (6) Pay off all or any portion of a Borrower's consumer debt, liens, or judgements.
  - (7) Self-Help Technical Assistance Grant funds may not be used to pay for purchase of land, materials, tools, and construction equipment or for any costs of construction.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50650.2](#), [HSC §50650.3](#), and [HSC §50650.7](#)

### **Section 203. Eligible Households**

- (a) Be a Lower-Income Agricultural Household, when considering the Annual Income of all Household residents 18 years or older. When calculating income eligibility, Applicants shall refer to Chapter 3 of the Income Calculations and Determination Guide for Federal Programs, as found on the HCD web site. For Tribal Entity Applicants, calculating income eligibility shall be determined in accordance with 25 U.S.C. §4103.
- (b) Include as Borrowers on the Program promissory note or Homeowner Grant Lien Agreement all persons who will be or are on title to the property; and
- (c) Either:
  - (1) In the case of a Rehabilitation Loan, be an owner-occupant and intend to continue occupying the home as a principal place of residence; or
  - (2) In the case of an ADU/JADU Loan, be an owner-occupant and intend to either continue occupying the primary residence as a principal place of residence or occupy the ADU/JADU as a principal place of residence; or

- (3) In the case of a Mortgage Assistance Loan or if receiving Self-Help Technical Assistance services, be a First-Time Homebuyer and intend to occupy the home as a principal place of residence.
- (d) Residents of an ADU or JADU shall not be considered as part of the Household receiving Serna funding for purposes of this section. If the Borrower will occupy an ADU or JADU, then the residents of the primary Unit shall not be considered as part of the Household receiving Program funding for purposes of this section.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC 50517.5\(e\)\(1\)](#), [HSC §50650.2](#), [HSC §50650.7](#), [HSC §50517.8](#), [HSC §50517.9\(b\)\(1\)](#) and [HSC §50517.9\(b\)\(6\)](#).

### **Section 204. Local Program/Project Administration**

- (a) The Recipient shall implement the Local Program or Project and be responsible for the following activities:
  - (1) Market the Local Program or Project;
  - (2) Determination of a Household's income-eligibility pursuant to the income requirements of §203 of these Guidelines;
  - (3) Where applicable, based on the nature of the Local Program or Project, compliance with the following requirements:
    - (A) §205 Homebuyer Education requirements;
    - (B) §206 Loan servicing requirements;
    - (C) §207 Reuse Account requirements;
    - (D) §401.3 Self-Help Technical Assistance Administration requirements;
    - (E) §402.3 Mortgage Assistance administration requirements;
    - (F) §402.4 Mortgage Assistance underwriting requirements;
    - (G) §403.3 Owner-Occupied Rehabilitation administration requirements;
    - (H) §403.4 Owner-Occupied Rehabilitation underwriting and construction requirements;
    - (I) §404.3 Acquisition of Manufactured Housing administration requirements;
    - (J) §404.4 Acquisition of Manufactured Housing underwriting requirements.

- (4) For Mortgage Assistance or Owner-Occupied Rehabilitation Loans, disbursing funds on behalf of Borrowers at time of property acquisition or during Rehabilitation;
  - (5) Maintaining complete and accurate records of all Serna Program Loan disbursements and repayments to ensure adherence to proper accounting procedures for the Serna Program Loans, which may be verified by the Department and may be subject to a fiscal and programmatic audit;
  - (6) Complying with reporting requirements pursuant to §602; and
  - (7) Complying with all other Locality and/or Nonprofit Corporation requirements as set forth in these Guidelines and all applicable federal and state regulations.
- (b) The Recipient shall adopt a written nondiscrimination policy requiring that no person shall, on the grounds of race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, marital status, national origin, ancestry, familial status, source of income, disability, age, medical condition, genetic information, citizenship, primary language, immigration status (except where explicitly prohibited by federal law), arbitrary characteristics, and all other classes of individuals protected from discrimination under federal or state fair housing laws, individuals perceived to be a member of any of the preceding classes, or any individual or person associated with any of the preceding classes be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, any Program or Activity funded in whole or in part with Program funds.
- (1) Notwithstanding the foregoing and paragraph (c) below, a Tribal Entity Recipient may implement a preference for Indians and tribal members in connection with any Eligible Activities undertaken within Indian Country in accordance with applicable tribal or federal law.
  - (2) A Tribal Entity Recipient may also implement a preference for Indians and tribal members for procurement in connection with any Eligible Activities undertaken within Indian Country in accordance with applicable tribal or federal law.
- (c) To the extent applicable and unless preempted by federal law, the Recipient shall comply with all applicable state and federal laws, rules, guidelines, and regulations that pertain to nondiscrimination and fair housing. Such laws include, without limitation, the requirements of Title VI of the Civil Rights Act of 1964 (42 U.S.C. § 2000d et seq.); the Americans with Disabilities Act of 1990; the Fair Housing Act; the Fair Housing Amendments Act of 1988; the California Fair Employment and Housing Act; the Unruh Civil Rights Act; Government Code §11135; §504 of the Rehabilitation Act of 1973; and all regulations promulgated pursuant to those statutes.

- (d) Recipient is prohibited from conditioning any prospective or current lenders or Borrower's, access to (or use of) Program funds upon payment of any fee(s), fine(s), or other charge(s) to Recipient (e.g., Recipient is prohibited from requiring a first mortgage lender to pay Recipient a fee in order for such lender to make a loan to a Borrower who is utilizing Program Mortgage Assistance funds for its down payment).

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50650.2](#), [HSC §50650.7](#)

## **Section 205. Homebuyer Education Requirements**

- (a) Homebuyer Education shall be provided to all homebuyers receiving a Serna Mortgage Assistance Loan and to all Self-Help participants being assisted under a Program Self-Help Technical Assistance Grant. For each home purchase completed by an assisted Household, Serna shall provide a Grant of up to a maximum amount as published in the latest NOFA per assisted Household toward the cost of the Homebuyer Education, provided the following conditions are met:
- (1) Homebuyer Education curriculum shall be pre-approved by the Department and, at a minimum, shall include the following topics:
    - (A) Preparing for Homeownership;
    - (B) Available financing and credit analysis;
    - (C) Loan closing and homebuyer responsibilities;
    - (D) Home maintenance and Loan servicing.
  - (2) A certificate of successful completion of Homebuyer Education shall be issued to each prospective homeowner and a copy submitted to the Department.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50650.2](#), [HSC §50650.3\(b\)\(1\)](#) and [HSC §50650.7](#),

## **Section 206. Loan Servicing Requirements**

- (a) Recipients shall develop and employ a Loan servicing plan that has been submitted to and approved by the Department as addressing the following topics:
- (1) Process for monitoring the requirement of owner-occupancy;
  - (2) Annual review of hazard and flood insurance;
  - (3) Timely payment of property taxes and assessments, except in the case of

- Projects or Activities located on land held in trust by the Bureau of Indian Affairs or land subject to a restriction by the United States against alienation;
- (4) Accounting for repayment of Program Loans;
  - (5) Properly calculating payoffs;
  - (6) Processing payoff demands;
  - (7) Reconveyance of deeds of trust;
  - (8) Collection of Program notes in default or foreclosure.
- (b) If Loan servicing will be performed under a legally binding agreement with a third party, that third party must be in the business of performing Loan servicing.
- (c) Recipients shall be required to enter into a long-term Monitoring Agreement with the Department allowing Department monitoring of Loan servicing for compliance with these Guidelines.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50650.2](#), [HSC §50650.7](#).

## **Section 207. Reuse Account Requirements**

- (a) Serna Recipients shall develop and employ a Reuse Account plan that has been submitted to and approved by the Department as addressing the following topics:
- (2) Description of a tracking system to ensure the reuse of funds for Eligible Activities including:
    - (A) Loans to individual homeowners and homebuyers;
    - (B) Homebuyer Education; and
    - (C) Allowable 5 percent Loan servicing fee.
- (a) All repayments of Serna Loan principal and any Program Loan interest (i.e., Program Income) shall be deposited into a separately maintained Reuse Account.
- (b) Any interest earned on deposited Serna reuse funds must accrue to the Program identified funds and be reused for Program purposes.
- (c) Funds in the Reuse Account shall only be used by the Recipient for Program Eligible Activities which are subject to these Guidelines.
- (d) Loans made from the Reuse Account are ~~not~~ subject to the maximum Loan amount as defined in the NOFA under which the original Serna Award was made,

or the maximum Loan amount as defined in the most recent Serna NOFA, whichever is greater.

- (b) Recipients shall be required to enter into a long-term Monitoring Agreement with the Department allowing the Department monitoring of Reuse Accounts for compliance with these Guidelines.
- (c) In the event a Recipient ceases operating the program activity for which they were awarded funds, the Recipient has two options:
  - (1) Return the funds and any program income to HCD; or
  - (2) Identify another eligible entity and transfer the funds and any program income to that entity's Local Program. The entity must meet all the same requirements the original Recipient met from the NOFA and Guidelines under which the Award was made. The funds must be used for eligible activities only. This option requires advance written approval by HCD.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50650.2](#), [HSC §50650.7](#).

## **Section 208. Threshold Requirements**

Projects shall be eligible for an Award of funds when the application demonstrates that all of the following threshold requirements have been met:

- (a) The Applicant meets geographic restrictions pursuant to §200 of these Guidelines;
- (b) The Applicant is an eligible Local Public Entity, Local Public Agency, Tribal Entity, or Nonprofit Corporation pursuant to §200 of these Guidelines. For purposes of these Guidelines, a Local Public Entity or Locality is defined to include a Tribal Entity. Pursuant to Health & Safety Code §50091, a Nonprofit Corporation shall include a Tribally Designated Housing Entity as further defined therein;
- (c) The Applicant has complied with reporting requirements pursuant to §200 of these Guidelines;
- (d) The Activity is eligible pursuant to §201 of these Guidelines;
- (e) The proposed use of funds is eligible pursuant to §202 of these Guidelines;
- (f) The Applicant meets the eligibility requirements for the Activity or activities for which they are applying:
  - (1) First-Time Homebuyer Mortgage Assistance pursuant to §402 of these Guidelines;

- (2) Owner-Occupied Rehabilitation Assistance pursuant to §403 of these Guidelines;
  - (3) Technical Assistance for Self-Help Housing Projects pursuant to §401 of these Guidelines;
  - (4) Homeownership Development Project Loans pursuant to §400 of these Guidelines;
  - (5) Acquisition of a Manufactured Housing Grant Program pursuant to §404 of these Guidelines.
- (g) The application is complete pursuant to §501 of these Guidelines;
  - (h) The application shall be on the Department forms and cannot be altered or modified by the Applicant;
  - (i) The Applicant does not have any unresolved audit findings for prior Department or federally funded housing or community development Projects or Programs pursuant to §501 of these Guidelines;
  - (j) The Applicant has no pending lawsuits that would impede the implementation of the Program pursuant to §501 of these Guidelines;
  - (k) All Units assisted with Program funds must serve Low-Income Agricultural Households;
  - (l) The Applicant must provide a market study verifying an adequate Agricultural Worker market for their Project or Program.
  - (m) The market study should include key data, ideally at the county level but at a minimum at the state level, such as:
    - (1) Number of agricultural jobs/workers in the county
    - (2) Percentage of county jobs/workforce that is agricultural, compared with statewide percentage
    - (3) Farmworker wages and percentage of Area Median Income earned by farmworkers
    - (4) Farmworker housing tenure (e.g., percentage of farmworkers who rent, own, or live in employer-provided housing)
    - (5) Farmworker housing type (e.g., percentage of units that are single-family homes, apartments, mobile homes)
    - (6) Number of homes needed for an agricultural workforce



- (7) Narrative about farmworker housing options, conditions, costs
- (n) The market study may use sources including but not limited to:
  - (1) Bureau of Labor Statistics
  - (2) California findings from the National Agricultural Workers Survey (NAWS)
  - (3) State of California Employment Development Department
  - (4) Regional or local housing plans or needs assessments
  - (5) County websites
  - (6) The Applicant's program wait list and marketing plan
- (o) Data cited in the market study should be current (within the past three years)

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50650.2](#), [HSC §50650.7](#).

## **Section 209. State and Federal Laws, Rules, Guidelines and Regulations**

Awardees must comply with all applicable local, state, and federal laws, constitutions, codes, standards, rules, guidelines, and regulations, including, without limitation, those that pertain to accessibility, construction, health and safety, labor, fair housing, fair employment practices, affirmatively furthering fair housing, nondiscrimination, and equal opportunity except as provided in these Guidelines with respect to projects located within Indian Country.

- (a) Relocation Requirements.
  - (1) The Developer of a Homeownership Development Project resulting in displacement of persons, businesses or farm operations shall be solely responsible for providing the assistance and benefits set forth in this section and in applicable state and federal law and shall agree to indemnify and hold harmless the Department from any liabilities or claims for relocation-related costs.
  - (2) All persons, businesses, or farm operations that are displaced as a direct result of the development of a Homeownership Development Project shall be entitled to relocation benefits and assistance as provided in Chapter 16 (commencing with Section 7260) of Division 7 of Title 1 of the Government Code and the Department's implementing regulations at California Code of Regulations, title 25, sections 6000 – 6198. Additionally, to the extent applicable, local relocation law as well as the Federal Uniform Relocation Assistance and Real Property

Acquisition Act, 49 CFR Part 24, including Appendix A to Part 24, shall apply. To the extent of any variation in the applicable relocation laws, the stricter standard shall apply. Displaced tenants who are not replaced with Eligible Households under this Program shall be provided relocation benefits and assistance from funds other than Program funds.

- (3) The Developer shall prepare or update a relocation plan in conformance with the provisions of California Code of Regulations, title 25, section 6038, and any other applicable relocation laws. The relocation plan shall be subject to the review and approval by the Department prior to the execution and approval of the Standard Agreement and prior to actual displacement of persons, businesses, or farm operations. If no persons, businesses, or farm operations will be displaced as a direct result of the Homeownership Development Project's development, then the Developer shall execute a certification, on a form prepared by the Department, prior to execution and approval of the Standard Agreement.
  - (4) Notwithstanding the preceding subdivisions, tenants who are notified in writing prior to their occupancy of an existing unit that the unit may be demolished as a result of funding provided under the Program shall not be eligible for relocation benefits and assistance under this section. The form of any notices used for this purpose shall be subject to Department approval.
- (b) Shared Parking. Developers of Homeownership Development Project Loans shall examine the feasibility of shared parking agreements to replace new parking construction or limit the number of new parking spaces that will be constructed. These requirements do not apply to proposals located on land owned or leased by the state (Gov. Code, § 65863.1, subd. (j)). An examination of the feasibility of shared parking shall include, at a minimum, identification of parking facilities on contiguous properties or nearby properties that would not require users to cross a street and then consideration of the apparent availability of those facilities for shared parking. (Government Code 65863.1(i)). The examination of the feasibility of shared parking shall be submitted to the Department prior to the execution and approval of the Standard Agreement. Tribal Entities are not required to examine the feasibility of shared parking for Homeownership Development Projects located in Indian Country where an Indian Tribe exercises jurisdiction.

## ARTICLE III. HOMEOWNERSHIP/HOMEBUYER LOAN REQUIREMENTS

### Section 300. Maximum Homeowner/Homebuyer Loan Amounts

- (a) Serna Loans to individual Borrowers shall not exceed the amount published in the current NOFA or, when considered with other available financing and assistance, the minimum amount necessary:
  - (1) In the case of First-Time Mortgage Assistance, to ensure Affordable monthly Housing Costs as defined by the first Mortgage lender;
  - (2) In the case of Owner-Occupied Rehabilitation, to fund eligible rehabilitation costs only, in accordance with Program requirements;
  - (3) In the case of Acquisition of Manufactured Housing assistance, to fund eligible costs only, in accordance with Program requirements.

**NOTE:** Authority Cited: HSC §50406(n), HSC § 50517.5(a)(1)(B), HSC §50517.5(a)(1)(C), HSC §50650.2, HSC §50650.7, HSC §50517.5(a)(1)(B), and HSC §50650.3(a)(2).

### Section 301. Homeowner/Homebuyer Loan Terms

- (a) Serna Loans shall be secured by the property or leasehold interest, as applicable.
- (b) The lien securing repayment of the Serna Loan shall be subject only to liens, encumbrances and other matters of record reviewed and approved by the Recipient responsible for underwriting the Serna Loan. To the extent required by applicable law and in the case of Projects or Activities located on land held in trust by the Bureau of Indian Affairs (BIA) or on land subject to a restriction by the United States against alienation, the BIA has approved the Tribal Entity Recipient's execution and recordation (as applicable) of all Department-required documents that are subject to 25 CFR Part 152 or 25 CFR Part 162, prior to award disbursement.
- (c) Homeowner/homebuyer Serna Loans shall have the following terms and conditions:
  - (1) Principal and interest payments shall be deferred for the term of the Serna Loan;
  - (2) Loans shall be repayable upon sale or transfer of the property, when the property ceases to be Owner-Occupied, or upon the Program Loan maturity date; however, if it is determined by the Recipient that repayment of the Program Loan at the maturity date causes a hardship to the Borrower, the Recipient has two other options. They are:

- (A) Amending the note and deed of trust or other security instrument(s) to defer repayment of the amount due at Loan maturity, that is the original principal and the accrued interest, for up to an additional 30 years (at 0 percent additional interest); For properties located on trust or restricted land within Indian Country for which no deed of trust was recorded, the loan may be deferred without a deed of trust amendment;
  - (B) Converting the debt at Loan maturity, that is the original principal balance and any accrued interest, to an amortized Loan, repayable in 15 years at 0 percent additional interest.
- (3) Loans are not assignable by Borrower, nor are Borrower's obligations assumable by any other party(ies);
- (4) The following transfers of interest shall not require the repayment of the program Loan:
- (A) Transfer to a surviving joint tenant by devise, descent, or operation of law on the death of a joint tenant.
  - (B) A transfer, in which the transferee is a person who occupies or will occupy the property, which is:
    - (i) A transfer where the spouse becomes an owner of the property.
    - (ii) A transfer resulting from a decree of dissolution of marriage, legal separation agreement, or from an incidental property settlement agreement by which the spouse becomes an owner of the property; or
    - (iii) A transfer into an inter vivos trust in which the Borrower is and remains the beneficiary and occupant of the property.
- (5) The term for First-Time Homebuyer Mortgage Assistance Program Loans shall be 30 years, with the following exception: when USDA, Rural Housing Service (RHS) 502 Mortgage Loans are in first lien position, the term shall be the term of the 502 Mortgage (30 to 38 years);
- (6) The term for Owner-Occupied Rehabilitation Program Loans shall be a maximum of 30 years as determined by the Recipient; and
- (7) A Borrower may pay the Program Loan amount, in part or in whole, at any time without penalty.
- (d) All Program assistance to individual Households shall be made in the form of a Loan. Recipients may make Program Loans bearing simple interest up to 3 percent per annum and may allow forgiveness of all or a portion of the accrued interest as

part of its Local Program design. Loan principal shall not be forgiven, except as allowed by statute. In lieu of making Loans bearing a fixed rate of interest, Recipients may instead charge contingent deferred interest in the form of shared net appreciation as set forth in subsection (e).

- (e) Shared net appreciation is allowed, only as follows:
  - (1) Gross appreciation is calculated by subtracting the original sales price from the current sales price or the current appraised value if the Loan accelerating event is other than sale of the property;
  - (2) Net appreciation is calculated by subtracting the seller's applicable closing costs, seller's cash contribution in the original purchase transaction, the value of seller's sweat equity, if applicable, and the documented value of capital improvements from the gross appreciation amount;
  - (3) The Recipient may only claim repayment of the principal, interest, and a portion of the net appreciation. That maximum portion of the net appreciation which may be claimed by the Recipient is equal to the percentage of the value of the residence financed by the Program Loan. That is, if the Loan equals 20 percent of the initial value of the residence, a maximum of 20 percent of the appreciation may be charged by the Recipient.
- (f) In any Loan transaction where there is no other public subsidy or public resale restriction, the Borrower cannot be restricted from selling the home at its fair market value at any time.
- (g) Program assistance that is provided to assist in the Rehabilitation or replacement of existing Mobilehomes located in a Mobilehome Park or Manufactured Home community and not permanently affixed to a foundation may be provided in the form of a forgivable Loan. If Tribal Entities intend for lands located in Indian Country, or other real property held in fee by such Tribal Entities, to be considered a Mobilehome Park for the purposes of this section, such tribal lands or real property must satisfy the legal and programmatic requirements of a Mobilehome Park per H.S.C. §18214. Tribal Entity applicants can submit their application with this information to the Department and it will be evaluated on an individual basis. It is recommended Tribal Entity applicants submit an AB 1010 waiver request before applications are due under the applicable NOFA to ensure said lands can be considered a Mobilehome Park.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50650.2](#), [HSC §50650.7](#), [HSC §50517.5\(a\)\(1\)\(B\)](#), and [HSC §50650.3\(a\)\(2\)](#).

### **Section 302. Homeowner/Homebuyer Loan-to-Value Limits**

- (a) The Loan-to-Value Ratio for a Mortgage Assistance Program Loan, when combined with all other indebtedness to be secured by the property, shall not

exceed 100 percent of the sales price plus a maximum of up to 5 percent of the sales price to cover actual closing costs.

- (b) The Loan-to-Value Ratio for an Owner-Occupied Rehabilitation Program Loan, when combined with all other indebtedness secured by the property, shall not exceed 105 percent of the After-Rehabilitation Value estimated.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50650.2](#), [HSC §50650.7](#), [HSC §50517.5\(a\)\(1\)\(B\)](#), and [HSC §50650.3\(a\)\(2\)](#).

## ARTICLE IV. PROGRAM REQUIREMENTS

### Section 400. Homeownership Development Project Loan

#### Section 400.1. Eligible Applicant

In addition to meeting the requirements of §200 of these Guidelines, an Applicant shall have successfully completed development of a minimum of two similar Projects within the last four years, and the Applicant shall have staff that will be committed to the proposed Project that possess the knowledge, skills, and ability to perform the tasks required in a Homeownership Development Project. If the Applicant will use a portion of a Homeownership Development Project Loan to provide Mortgage Assistance to qualified First-Time Homebuyers, the Applicant or its Administrative Subcontractor shall also have successfully administered a homebuyer Program for a minimum of two years within the four years immediately preceding the application.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50517.5\(a\)\(1\)](#), [HSC §50650.2](#), [HSC §50650.7](#).

#### Section 400.2. Eligible Costs

Serna funds in support of a Homeownership Development Project shall be used only for the following costs:

- (a) Purchase of real property;
- (b) Building permits and state and local fees;
- (c) Predevelopment Costs directly related to eligible housing development, including ADUs and JADUs;
- (d) Onsite Improvements related to eligible housing development (within the boundaries of the subdivision or individual parcels for scattered site developments). Onsite Improvements do not include construction of housing units;
- (e) Construction Period Expenses, which do not include unit construction costs;
- (f) Escrow, title insurance, recording and other related costs;
- (g) Costs for items intended to assure the completion of construction, such as contractor bond premiums;
- (h) Environmental hazard reports, surveys, and investigations;
- (i) Payoff of bridge Loan financing for site acquisition which has a term of 36 months or less; and
- (j) Attorney fees directly associated with activities related to Units funded by the Program.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50650.2](#), [HSC §50650.3](#), [HSC §50650.7](#)

### **Section 400.3. Site Control**

To be eligible to apply for a Homeownership Development Project Loan, the Applicant shall have site control of the proposed Project property through the application Award date listed in the NOFA, as evidenced by one of the following:

- (a) Fee simple title;
- (b) An enforceable option to purchase, which shall extend, or may be extended, for a minimum of 120 days beyond the deadline for application submittal;
- (c) A disposition and development agreement with a public agency;
- (d) A sales contract, or other enforceable agreement for the acquisition of the property;
- (e) A leasehold interest, or an enforceable option to lease. The option to lease shall extend for a minimum of 120 days beyond the deadline for application submittal. The leasehold term must be for a minimum of 40 years. The leasehold must have provisions that enable the lessee(s) to make improvements on and encumber the property for a term sufficient to secure the Program lien; or
- (f) Other forms of site control that give the Department equivalent assurance that the Project will be able to proceed without inordinate delay. For example, site control as evidenced, in the case of a Tribal Entity and a Homeownership Development Project located on land held in trust by the BIA or land subject to a restriction by the United States against alienation, by a title status report (TSR) issued by the BIA and other documentation as may be required demonstrating site control satisfactory to the Department. An uncertified title status report issued by the BIA will be acceptable to the Department while the Tribal Entity Applicant's application is pending provided a certified title status report, title opinion letter issued for the benefit of the Department or other documentation is provided before award disbursement.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50650.2](#), [HSC §50650.3](#), [HSC §50650.7](#)

### **Section 400.4. Maximum Homeownership Development Project Loans Amount**

The maximum Homeownership Development Project Loans amount shall be published in the current NOFA.

### **Section 400.5. Homeownership Development Project Loan Terms**

- (a) The Department may make Predevelopment Loans to eligible Applicants for development of Homeownership Development Projects, including Program eligible



housing developments that include Accessory Dwelling Units (ADUs) or Junior Accessory Dwelling Units (JADUs), or make permanent Loans for Mutual Housing and limited equity housing cooperatives;

- (b) Proposed development Projects shall be ineligible to receive funding if Predevelopment Work has begun or will begin prior to the application due date. “Predevelopment Work” includes grading; site preparation (with the exception of demolition or clearing of property); or site improvements intended for public dedication.
- (c) Loans shall be secured by the Project real property and improvements, subject only to liens, encumbrances and other matters of record which have been reviewed and approved by the Department on a case-by-case basis. For clarity, in the case of a Tribal Entity and a Homeownership Development Project located on land held in trust by the BIA or land subject to a restriction by the United States against alienation, a Serna Homeownership Development Project Loan may be secured by the following wherein the Department shall be named as a beneficiary in each security instrument: (i) a Declaration of Restrictive Covenants, (ii) lien against the leasehold property interest, or (iii) other mechanism acceptable to the Department.
- (d) The Loan term shall end no later than the date specified in the Standard Agreement.
- (e) Principal and interest payments shall be deferred for the term of the Loan.
- (f) Loans shall be repayable at permanent closings of the individual homebuyer Serna Loans or at the development Loan maturity date, whichever occurs first. Up to 100 percent of the Homeownership Development Project Loan may be used to provide Mortgage Assistance to qualified First-Time Homebuyers. The portion of the Homeownership Development Project Loan that is used to provide Mortgage Assistance will be converted to a Grant to the Recipient and the provisions of Section §402 of these Guidelines, including the provisions of Section §402.2(d) regarding administrative costs, shall apply to that Grant. The balance of the development Loan will be repaid to the Department.
- (g) Loans shall bear interest at the rate of 6 percent simple interest per annum. The Department may forgive accrued interest on a pro rata basis to the extent that the number of Lower-Income Households originally proposed to be served have been served upon completion of the Project.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50650.2](#), [HSC §50650.3](#), [HSC §50650.7](#)

#### **Section 400.6. Homeownership Development Project Loan-to-Value Limits**

Loan-to-Value limits include all liens recorded or to be recorded on the Project property. When Loan funds are used for the purchase of unimproved real property, the Loan-to-Value Ratio shall not exceed 100 percent of the unimproved appraised value.

- (a) When Loan funds are used for the purchase of improved real property, the Loan-to-Value Ratio shall not exceed 100 percent of the improved appraised value.
- (b) When Loan funds are used for predevelopment or site improvement costs, the Loan-to-Value Ratio shall not exceed 100 percent of the appraised land value, plus predevelopment and/or site improvements costs.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50650.2](#), [HSC §50650.3](#), [HSC §50650.7](#)

### **Section 400.7. Homeownership Development Projects Requirements**

- (a) Prior to disbursement of Homeownership Development Project Loan proceeds:
  - (1) The Developer Borrower shall be the sole owner of the Homeownership Development Project site (when Serna program funds are being used for site acquisition, the Developer Borrower shall be the sole owner of the Homeownership Development Project site upon close of purchase escrow). In the case of a Tribal Entity that is a Developer Borrower and a Homeownership Development Project located on land held in trust by the BIA or land subject to a restriction by the United States against alienation, the Tribal Entity Developer Borrower shall be either the legal beneficiary of said trust, or benefitted by said restriction against alienation, respectively, or shall be the lessee of said trust or restricted land;
  - (2) The Developer Borrower shall have a firm financing commitment(s) for all costs to complete the Homeownership Development Project;
  - (3) The Department shall have approved a final construction budget that ensures that the estimated sales price of the homes to be constructed:
    - (A) Does not exceed the limits established in the NOFA; and
    - (B) Can reasonably be expected to be Affordable to eligible buyers;
  - (4) The Developer Borrower shall have met all other Department conditions for disbursement as stated in the Standard Agreement required by §600(a).
- (b) A home assisted with a Homeownership Development Project Loan shall not be sold at a price that exceeds its appraised value.
- (c) Occupancy restrictions on all properties shall be imposed and enforced in a manner which does not violate state or federal fair housing laws. Notwithstanding the foregoing, a Tribal Entity Recipient may implement a preference for Tribal Households in connection with any Project or Activity undertaken within Indian Country.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50650.2](#), [HSC §50650.3](#), [HSC §50650.7](#)

## **Section 401. Self-Help Technical Assistance Grant Program**

### **Section 401.1. Eligible Applicant**

In addition to meeting the requirements of §200 of these Guidelines, the Applicant shall meet the criteria set forth in the California Code of Regulations (CCR), Title 25, Division 1, Chapter 7, Subchapter 6.5, Article 1, §7532 “Eligible Sponsors”, and have successfully completed a minimum of two Self-Help Construction Projects within the four years immediately preceding the application.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50650.2](#), [HSC §50650.3](#), [HSC §50650.4](#), and [HSC §50650.7](#)

### **Section 401.2. Eligible Costs**

Program funds in support of a Self-Help Technical Assistance Project shall be used only for the following costs of direct services. Indirect costs are not permitted.

- (a) Costs for assistance, training, and supervision on Self-Help Construction activities and techniques;
- (b) Homebuyer Education, which will be reimbursed in the form of a Grant from the Department to the Recipient in an amount not to exceed the maximum published in the current NOFA;
- (c) Costs of assistance provided in Project development which includes, but is not limited to, the preparation of contracts for professional services, application for Project funding, packaging Households’ applications for assistance, preparation of subdivision maps, review of engineering plans and specifications for construction and Rehabilitation Projects, and compliance with appropriate requirements of funding agencies and local government;
- (d) Administrative costs of providing Technical Assistance for the Project funded by the Department including, but not limited to, wages, salaries, and fringe benefits of clerical and management personnel and payment for rent, utilities, communications, printing, and travel expenses. For a Project that provides both Assisted Housing Units as well as non-assisted units, eligible administrative costs include only the administrative costs for the Assisted Housing Units; the Recipient may calculate eligible administrative costs based on the percentage of Project units that are Assisted Housing Units.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50650.2](#), [HSC §50650.3](#), [HSC §50650.7](#)

### **Section 401.3. Self-Help Technical Assistance Administrative Requirements**

- (a) The Recipient shall develop and employ Self-Help Technical Assistance Program guidelines submitted to and approved by the Department as addressing the following topics:
  - (1) Program Marketing;
  - (2) Recruitment of homebuyers and selection criteria;
  - (3) Income limits for participation and income determination procedures;
  - (4) Criteria for homebuyer participation in the Program including:
    - (A) Residency requirements;
    - (B) Credit requirements;
    - (C) Process of providing reasonable accommodations to Persons With a Disability;
  - (5) List of activities to be performed by Self-Help participants;
  - (6) Construction training plan;
  - (7) Homeownership training plan.
- (b) A home assisted with Self-Help Technical Assistance shall not be sold at a price that exceeds its appraised value.
- (c) Prior to the disbursement of an advance, not to exceed twenty-five percent of the total Grant amount, the Recipient must submit a certification that the Recipient does not have available funds to initiate the Project.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50650.2](#), [HSC §50650.3](#), [HSC §50650.7](#)

## Section 402. Mortgage Assistance Grant Program

### Section 402.1. Eligible Applicant

In addition to meeting the requirements of §200 of these Guidelines, an Applicant or its Administrative Subcontractor shall have successfully administered a homebuyer Program for a minimum of two years within the four years immediately preceding the application.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50517.5\(a\)\(1\)](#), [HSC §50650.2](#), [HSC §50650.7](#)

### Section 402.2. Eligible Costs

Serna funds in support of a Mortgage Assistance Program shall be used only for the following costs:

- (a) Mortgage Assistance for permanent financing of:
  - (1) A dwelling Unit, which may include an ADU or a JADU, ready for occupancy; or
  - (2) A Unit, which may include an ADU or a JADU, acquired by a Loan such as a HUD FHA 203(k) Loan. This includes Mortgage Assistance for Self-Help Construction housing, except that Program permanent financing may be disbursed at time of lot purchase where the Self-Help Construction housing is being financed under the USDA-RHS 502 program.
- (b) Homebuyer Education, which will be reimbursed in the form of a Grant from the Department to the Recipient in an amount not to exceed the maximum published in the current NOFA.
- (c) Non-recurring Loan closing costs.
- (d) Administrative costs for the Mortgage Assistance program funded by the Department including, but not limited to, loan closing costs, wages, salaries, and fringe benefits of program, clerical and management personnel, and payment for rent, utilities, communications, printing, and travel expenses. Administrative costs shall not exceed 10 percent of the total of Serna Mortgage Assistance disbursements (advances or reimbursements). Administrative costs must be justified for the type and complexity of the Activity, and the Recipient must maintain records to satisfactorily document these charges. This requirement may be satisfied through documents such as invoices, receipts, time tracking, or other documentation of valid program expenses.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50517.5\(a\)\(1\)](#), [HSC §50650.2](#), [HSC §50650.3](#), and [HSC §50650.7](#)

### Section 402.3. Administrative Requirements

The Recipient of Serna funds to operate a local Mortgage Assistance Program shall be responsible for the following activities:

- (a) Providing information and assistance to First-Time Homebuyers on obtaining the maximum amount of first Mortgage financing pursuant to the underwriting requirements in §402.4 of these Guidelines;
- (b) Reviewing Serna required appraisals for property eligibility under value limits established pursuant to §402.4 of these Guidelines. The appraised value shall not exceed these limits;
- (c) In the case of acquisition of existing housing, the Recipient shall be responsible for inspection of properties to be purchased or a review of Uniform Residential Appraisal Reports, including the valuation conditions, to ensure that they conform to the requirements of State Housing Law ([H.S.C. §17910 et seq.](#)). In the case of acquisition of existing housing located on land held in trust by the BIA or land subject to a restriction by the United States against alienation, residential appraisals may conform to other requirements subject to review and approval by the Department.
- (d) If the unit type is a Manufactured Home in a Mobilehome Park, ensuring that the Mobilehome Park has a valid Permit to Operate or conditional Permit to Operate. If the Mobilehome Park is located in Indian Country, a Permit to Operate under California law is not required, however, any permit(s) to operate under tribal law, if applicable, are required.
- (e) Ensuring completion by each assisted Household of a Homebuyer Education class that meets the requirements of §205 of these Guidelines; and
- (f) Originating, underwriting, packaging, and closing Serna Loans in accordance with Program requirements.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50517.5\(a\)\(1\)](#), [HSC §50650.2](#), [HSC §50650.3\(b\)](#), and [HSC §50650.7](#)

### Section 402.4. Underwriting Requirements

- (a) Serna Recipients shall develop and employ Mortgage Assistance Program Underwriting guidelines that have been submitted to and approved by the Department as addressing the following underwriting topics:
  - (1) Establish Front- and Back End Ratios used to qualify the Borrower;
  - (2) What criteria will be used to determine the credit worthiness of the Borrower;

- (3) Requirements for a first Mortgage:
  - (A) Borrower shall obtain the maximum first lien Mortgage Loan with a term and interest rate from a Mortgage lender consistent with Affordable housing costs as defined in each Program's guidelines;
  - (B) Mortgage Loans shall not include provisions for negative amortization, principal increases, balloon payments or deferred interest.
- (4) Financing subordinate to the Serna Loan:
  - (A) Fees and/or charges for subordinate financing shall be reasonable Loan origination fees for first Mortgage financing as determined by the Department to be consistent with industry standards;
  - (B) There must not be a balloon payment due before the maturity date of the Serna Loan;
  - (C) All subordinate financing provided shall defer principal and interest payments for the term of the Serna Loan.
- (b) Prior to the close of escrow, the Recipient shall ensure that an appraisal has been obtained which meets the following requirements:
  - (1) The appraisal shall be prepared by a state-licensed, residential property appraiser. In the case of land held in trust by the BIA or subject to a restriction by the United States against alienation, the appraisal shall take into consideration the unique circumstances surrounding said real property;
  - (2) The appraisal shall use the sales of comparable properties approach to determine value; and
  - (3) Maximum appraised home values at time of purchase or upon completion of acquisition/Rehabilitation work shall not exceed the appraised value limit established by the Department and published in the NOFA.
- (c) Cash outs of escrow to Borrowers are limited to the amount deposited into escrow by the Borrowers and not needed for any lender-required minimum down-payment.
- (d) Recipients must obtain title insurance in the amount of the Serna Loan at close of escrow.
- (e) Fire insurance (and flood insurance where applicable) requirements are as follows:

- (1) Recipient must require Borrowers to maintain insurance on the property in an amount at least equal to the replacement value of the improvements; and
- (2) Recipient must be named as additional loss payee on the policy.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50517.5\(a\)\(1\)](#), [HSC §50650.2](#), [HSC §50650.3\(b\)](#), and [HSC §50650.7](#)

## **Section 403. Owner-Occupied Rehabilitation Grant Program**

### **Section 403.1. Eligible Applicant**

In addition to meeting the requirements of §200 of these Guidelines, an Applicant or its Administrative Subcontractor shall have successfully administered a local Owner-Occupied Rehabilitation Program for a minimum of two years within the four years immediately preceding the application.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50517.5\(a\)\(1\)](#), [HSC §50650.2](#), and [HSC §50650.7](#)

### **Section 403.2. Eligible Costs**

Program funds in support of an Owner-Occupied Rehabilitation Program shall be used only for the following costs:

- (a) Cost of Rehabilitation of the property, as defined in Appendix A of these Guidelines;
- (b) Cost of building permits and other related government fees;
- (c) Cost of an appraisal, architectural, engineering, and other consultant services that are directly related to the Rehabilitation of the property;
- (d) Non-recurring Loan closing costs;
- (e) Replacement cost of a Manufactured Home not on a permanent foundation up to the maximum amount published in the current NOFA and in the case where it has been determined by the Recipient it is infeasible to rehabilitate the home. In the case of a disaster, as defined in H.S.C., §50650.3, HCD may, at its discretion and on a case-by-case basis, allow the replacement of a Manufactured Home with a Stick-Built Home of comparable cost; the Program may only provide up to the maximum replacement cost for a Manufactured Home as published in the current NOFA.
- (f) Transport costs for purchase of Manufactured Homes;
- (g) Installation costs for Manufactured Homes.



- (h) Administrative costs for the Owner-Occupied Rehabilitation program funded by the Department including, but not limited to, loan closing costs, wages, salaries and fringe benefits of program, clerical, and management personnel, and payment for rent, utilities, communications, printing, and travel expenses. Administrative costs shall not exceed 20 percent of the total of Serna Owner-Occupied Rehabilitation disbursements (advances or reimbursements). Administrative costs must be justified for the type and complexity of the Activity, and the Recipient must maintain records to satisfactorily document these charges. This requirement may be satisfied through documents such as invoices, receipts, time tracking, or other documentation of valid program expenses.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50517.5\(a\)\(1\)](#), [HSC §50650.2](#), [HSC §50650.3\(b\)](#), and [HSC §50650.7](#)

### **Section 403.3. Administrative Requirements**

The Recipient of Program funds for the operation of a local Owner-Occupied Rehabilitation Program shall be responsible for the following activities:

- (a) Review Program After-Rehabilitation appraisals for property eligibility under value limits established in the current published NOFA;
- (b) Originating, underwriting, packaging, and closing Serna Loans in accordance with Program requirements; and
- (c) Completion of Rehabilitation construction requirements pursuant to the Owner-Occupied Rehabilitation Program guidelines required by §403.4 of these Guidelines.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50517.5\(a\)\(1\)](#), [HSC §50650.2](#), [HSC §50650.3](#), and [HSC §50650.7](#)

### **Section 403.4. Underwriting and Construction Requirements**

- (a) Program Recipients shall develop and employ Owner-Occupied Rehabilitation Program guidelines submitted to and approved by the Department as addressing the following topics:
  - (1) Owner-Occupied Rehabilitation underwriting guidelines, including Borrower credit requirements; and
  - (2) Rehabilitation construction requirements.
- (b) Prior to commencement of Rehabilitation work funded with Program funds, an appraisal shall be obtained with the following requirements:

- (1) The appraisal may be prepared by Recipient's staff using the sales of comparable properties approach to determine value. If comparable sales are not available, the appraisal shall be prepared by a state-licensed, residential property appraiser. In the case of land held in trust by the BIA or subject to a restriction by the United States against alienation, the appraisal shall take into consideration the unique circumstances surrounding said real property;
  - (2) The appraisal shall take into consideration the estimated value of the Rehabilitation work to be completed on the property and shall include the pre-Rehabilitated value and the After-Rehabilitation Value; and
  - (3) An appraisal is not required in the case of Rehabilitation work on a Manufactured Home that is not on a permanent foundation; an appraisal is required in the case of Rehabilitation work on a Manufactured Home that is on a permanent foundation.
- (c) Any cash out of escrow to the Borrowers is prohibited.
- (d) Recipients must obtain title insurance in the amount of the Program Loan at close of escrow.
- (e) Fire insurance (and flood insurance where applicable) requirements are as follows:
- (1) Recipient must require Borrowers to maintain insurance on the property in an amount at least equal to the replacement value of the improvements; and
  - (2) Recipient must be named as additional loss payee on the policy;

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50517.5\(a\)\(1\)](#), [HSC §50650.2](#), [HSC §50650.3](#), and [HSC §50650.7](#)

## **Section 404. Acquisition of Manufactured Housing Grant Program**

The Department shall provide Grants for the acquisition of Manufactured Housing as part of a Local Program administered by the Recipient to address and remedy the impacts of current and potential displacement of Lower-Income farmworker families from existing labor camps, Mobilehome Parks, or other housing.

[HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50517.5\(a\)\(1\)](#), [HSC §50650.2](#), [HSC §50517.5\(a\)\(1\)\(D\)](#), and [HSC §50650.7](#)

### **Section 404.1 Eligible Applicant**

In addition to meeting the requirements of §200 of these Guidelines, to be eligible to apply for Serna funding for an Acquisition of Manufactured Housing Program, the Applicant or its Administrative Subcontractor shall have successfully administered a housing Program that serves Agricultural Workers for a minimum of two years within

the four years immediately preceding the application.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50517.5\(a\)\(1\)](#), [HSC §50650.2](#), and [HSC §50650.7](#)

### **Section 404.2 Eligible Costs**

Program funds in support of an Acquisition of Manufactured Housing program shall be used only for the following costs:

- (a) Purchase of new Manufactured Homes to be placed in a Mobilehome Park or on a permanent foundation;
- (b) Replacement cost of a Manufactured Home not on a permanent foundation up to the maximum amount published in the current NOFA and in the case where it has been determined by the Recipient it is infeasible to rehabilitate the home;
- (c) Purchase and preparation of sites, including providing water and sewage facilities;
- (d) Transport costs for purchase of Manufactured Homes;
- (e) Installation costs for Manufactured Homes;
- (f) Transportation and salvage process fees for Manufactured Homes being replaced; and
- (g) Escrow, title insurance, recording and other related costs.
- (h) Administrative costs for the Acquisition of Manufactured Housing program funded by the Department including, but not limited to, wages, salaries and fringe benefits of program, clerical, and management personnel, and payment for rent, utilities, communications, printing, and travel expenses. Administrative costs shall not exceed 20 percent of the total of Serna Acquisition of Manufactured Housing disbursements (advances or reimbursements) received that year plus any Serna program income from a Serna-funded Acquisition of Manufactured Housing program deposited in the Reuse Account that year.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50517.5\(a\)\(1\)](#), [HSC §50650.2](#), [HSC §50517.5\(a\)\(1\)\(D\)](#), and [HSC §50650.7](#)

### **Section 404.3 Administration Requirements**

The Recipient shall administer a Local Program to address and remedy the impacts of current and potential displacement of Lower-Income farmworker families from existing labor camps, Mobilehome Parks, or other housing, and be responsible for the following activities:

- (a) Marketing the Local Program or Project;

- (b) Determination of a Household's income-eligibility pursuant to the income requirements of this subchapter;
- (c) Recipients shall develop and employ a Grant management plan that has been submitted to and approved by the Department as addressing the following topics:
  - (1) Process for monitoring the requirement of owner occupancy;
  - (2) Timely payment of property taxes, registration fees and other assessments;
  - (3) Processing demands;
  - (4) Reconveyance of deeds of trust or security agreements;
  - (5) Collection of Program notes in default;
  - (6) Disbursing funds on behalf of Borrowers at time of acquisition;
  - (7) Maintaining complete and accurate records of all Serna Grant disbursements to ensure adherence to proper accounting procedures for the Program Grants, which may be verified by the Department and may be subject to a fiscal and programmatic audit;
  - (8) Complying with reporting requirements pursuant to §602; and
  - (9) Complying with all other Locality and/or Nonprofit Corporation requirements as set forth in these Guidelines and all applicable federal and state regulations.
- (d) Recipients shall be required to enter into a long-term Monitoring Agreement with the Department allowing Department monitoring of Grant management for compliance with these Guidelines.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50517.5\(a\)\(1\)](#), [HSC §50650.2](#), [HSC §50517.5\(a\)\(1\)\(D\)](#), and [HSC §50650.7](#)

#### **Section 404.4 Underwriting and Loan Requirements**

- (a) The Manufactured Home must be Owner-Occupied by an Agricultural Household. The homeowner must have an eligible income not to exceed Low-Income limits.
- (b) Pursuant to [H.S.C. §50517.5\(c\)\(2\)](#), prior to funds being used to finance the acquisition of a Manufactured Home, the Recipient shall ensure that the home either is already installed in a location where it will be occupied by the eligible household or that a location has been leased or otherwise made available for the Manufactured Home to be occupied by the Eligible Household. If the Manufactured Home will be installed in a Mobilehome Park, the Mobilehome Park must have a valid Permit to Operate or conditional Permit to Operate.

- (c) The area where the Manufactured Home will be placed must be located in an area where there is need for Agricultural housing as evidenced by a market study.
- (d) The Manufactured Home shall be new and purchased from a state licensed Manufactured Housing dealer/contractor.
- (e) Financial assistance provided to individual Households to purchase a Manufactured Home shall be in the form of a secured forgivable Loan, which shall also be made in a manner consistent with applicable law (H.S.C. § 50650.3, subd. (c)). The Loan shall be due and payable in 20 years, with 10 percent of the original principal to be forgiven annually for each additional year beyond the 10th year that the home is owned and continuously occupied by the Borrower (H.S.C. § 50650.3, subd. (c)). Pursuant to H.S.C. § 50650.3(c), not more than 10 percent of the funds available in a given fiscal year shall be used for financial assistance in the form of secured forgivable Loans.
- (f) Loans to homeowners shall be assumable; all homeowners receiving Program funding must meet the Program and eligibility criteria as established by a Program to be run by Applicant.
- (g) All homeowners receiving Program funding must pledge the financed Manufactured Home as security for repayment of the Loan.
- (h) Loan documentation, security instruments and Grant conditions will be prepared by Recipient.
- (i) Homeowner will execute all Loan documentation, security instruments and Loan conditions.
- (j) Proper execution and/or recordation of all Loan documentation, security instruments and Loan conditions. Loan fund disbursement will be conducted by an approved Escrow company.
- (k) Recipient must control all Loan and Grant disbursements to ensure Project completion without misallocation of funds.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50517.5\(a\)\(1\)](#), [HSC §50650.2](#), [HSC §50517.5\(a\)\(1\)\(D\)](#), and [HSC §50650.7](#)

## ARTICLE V. APPLICATION PROCEDURES

### Section 500. Application Process

- (a) The Department shall periodically issue a NOFA that specifies, among other things, the amount of funds available, the minimum/maximum application amount, the minimum/maximum Activity amount, minimum/maximum amount per Assisted Unit, the Maximum Sales Price/Value Limit, minimum number of Units per Homeownership Development Project, application requirements, the activities eligible for funding, the number of activities that may be applied for in one application, the allocation of rating points, the deadline for submittal of applications, and the schedule for rating and ranking applications and awarding funds.
- (b) In order to implement the goals and purposes of the Program, the Department may adopt measures to direct funding Awards to designated Local Program types or Project types including, but not limited to, Local Programs or Projects that: are utilizing self-help labor; are utilizing Volunteer Labor; involve a Construction Skills Training Program; contribute toward Community Revitalization; are located in Rural Areas or other areas to achieve a reasonable geographic distribution of funding, to the extent feasible; or are located in a geographic area subject to a presidential declaration of disaster or emergency, or a “state of emergency”, or a “local emergency”, as those terms are defined in [GC §8558](#). Such measures may include, but are not limited to:
  - (1) Issuing a separate NOFA for designated Local Programs or Project types;
  - (2) Awarding bonus points to designated Local Programs or Project types within a particular NOFA;
  - (3) Reserving a portion of funds in the NOFA for designated Local Program or Project types.
- (c) Notwithstanding anything in these Guidelines to the contrary, a separate NOFA issued pursuant to this subsection may establish an over-the-counter application process, meaning the Department continuously accepts and rates applications until the funding available under the NOFA is exhausted. At a minimum, a separate NOFA shall include a description of the application process and funding conditions, shall require compliance with paragraph (a) of this section, and shall establish minimum funding threshold criteria based on the rating criteria consistent with these Guidelines.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50517.5\(a\)\(1\)](#), [HSC §50650.2](#), [HSC §50650.3](#), and [HSC §50650.7](#)

## Section 501. Application Requirements

Application shall be made in a format provided by the Department. The Department shall request the following information:

- (a) Applicant identification information including name, address, telephone number, contact person and, for Nonprofit Corporations, corporate governing documents, and financial information (e.g., articles and by laws, certificate of good standing from the California Secretary of State, confirmation of 501(c)(3) status, the most recent two years of audited financial statements), and a list of legislative representatives for the area where the Program or Project will be undertaken.
- (b) Authorizing resolutions of the Applicant's governing board shall be provided, and must be approved by the Department, prior to issuance of a Standard Agreement. Authorizing resolutions do not need to be provided as part of the application.
- (c) Documentation evidencing that the Applicant has the authority to undertake the activities applied for; that it meets the eligibility requirements; that it does not have any unresolved Department audit findings nor pending lawsuits; that if the application is for a construction project, Construction Work has not yet begun, and that it agrees to comply with all Program requirements.
- (d) Project or Program description including amount applied for, number of Units, or Households to be assisted, income levels of Households to be assisted, description of prior experience with the types of Programs or Project applied for, geographic location of the activities, financing sources and uses, and description of any contributed labor.
- (e) For Homeownership Development Projects, the description of the Project shall also include: a description of how the Applicant has site control; to the extent applicable, the status of all local government approvals; availability of on and off site improvements and utilities; soil conditions; Project costs; Unit description in terms of size, number of bedrooms; per Unit construction cost; estimated sales price and sources of financing; estimated monthly Housing Costs of purchasers and description of the Homebuyer Education Program.
- (f) A description of how the Applicant will comply with the requirements of Local Program/Project administration set forth in §204 of these Guidelines applicable to the Program or Project being applied for.
- (g) For Homeownership Development Projects, a market analysis that summarizes the local area market data that demonstrates the need for the development of additional affordable housing matching the proposed project. Include details of the targeted households and their willingness and ability to pay the proposed housing costs. Data cited in the market study should be current (within the past three years).



**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50517.5\(a\)\(1\)](#), [HSC §50650.2](#), [HSC §50650.3](#), and [HSC §50650.7](#)

## **Section 502. Selection Process**

- (a) For applications that pass threshold reviews, those applications will be rated and ranked according to the rating criteria set forth in the NOFA and application.
- (b) For those eligible applications received in an over-the-counter (OTC) NOFA process, individual Projects will be evaluated for funding on a first-come, first-served basis as set out in the NOFA.
- (c) Tiebreaker criteria and methodology will be specified in the NOFA.
- (d) Applications shall be evaluated on the criteria identified in the NOFA.
- (e) Once an Activity is awarded Department funds, the Recipient's acceptance of these Department funds is acknowledging the Activity as submitted and approved by the Department and is the Activity that is to be funded. Any modification of the Activity would render that Award null and void, as the awarded Project is no longer feasible as originally submitted and approved and because the awarded funds are unable to be assumed or assigned.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50517.5\(a\)\(1\)](#), [HSC §50650.2](#), [HSC §50650.3\(b\)](#), [HSC §50650.4](#) and [HSC §50650.7](#)

## **Section 503. Appeals Process**

- (a) The most current version of the Department's Negative Points Policy published on the Department's website (Administrative Notice Number 2022- 01) is hereby incorporated by this reference to these Guidelines as if set forth in full herein, and shall apply with equal force as all other provisions set forth herein.
- (b) If the Applicant is subject to negative points assessment, based on the criteria outlined in the Department's Negative Points Policy, HCD shall notify the Applicant in writing within the point score letter and will provide an opportunity to appeal negative points assessment, or any disagreed points assessment, pursuant to the appeals process as set forth in the NOFA. Disqualifying threshold determinations shall also follow a similar process, which shall be set forth in greater detail in the NOFA. For reference, all such appeals must be received by HCD no later than five (5) business days from the date of HCD's threshold review, or initial score letters, as applicable, representing HCD's decision made in response to the application. Any request to appeal HCD's decision regarding an application shall be reviewed for compliance with the Guidelines and the NOFA. All decisions rendered shall be final, binding, and conclusive, and shall constitute the final action of HCD.



## ARTICLE VI. PROGRAM OPERATIONS

### Section 600. Legal Documents

- (a) Upon the Award of funds, the Department shall enter into a Standard Agreement with the Recipient constituting a conditional commitment of funds. This contract shall require the parties to comply with the requirements and provisions of these Guidelines. The Standard Agreement shall encumber state monies in an amount sufficient to fund the approved Local Program or Project, subject to limits established in the NOFA and consistent with the application. The Standard Agreement shall contain, but not be limited to, the following as appropriate for the Activity:
- (1) A description of the approved Local Program or Project and the permitted uses of Serna funds;
  - (2) Provisions governing the amount, terms, and conditions of the Department's development Loan or Grant to the Recipient;
  - (3) For Homeownership Development Projects, provisions governing the Construction Work and, as applicable, the acquisition of the Project site, and the disbursement of Loan proceeds;
  - (4) For Self-Help Technical Assistance Projects, a budget and timetable for completion of the Project;
  - (5) Requirements for the execution, and where appropriate, the recordation of the agreements and documents required under the Program;
  - (6) For a Local Program or Project, the Recipient's responsibilities for operation of the Local Program or completion of the Project, including, but not limited to, number of Units to be assisted, marketing, Program Loan processing and funding, construction, monitoring, and disbursement, report submissions, file documentation;
  - (7) For a Homeownership Development Project, the Recipient's responsibilities for the development of the Project, including, but not limited to, number of Units to be assisted, marketing, processing of individual homebuyer Serna Loans, expiration date, report submissions, file documentation;
  - (8) Manner, timing, and conditions for disbursement of the Program or Project funds to Recipients;
  - (9) Provisions relating to the placement on or in the vicinity of the Homeownership Development Project site, a sign indicating that the Department has provided financing for the Project. The Department may also arrange for publicity of the Department Program Homeownership Development Loan in its sole discretion;

- (10) Remedies available to the Department in the event of a violation, breach, or default of the Standard Agreement;
  - (11) Requirements that the Recipient permit the Department or its designated agents and employees the right to inspect the Project or Local Program and all books, records and documents maintained by the Recipient in connection with the Local Program or Self-Help Technical Assistance Project Grant or development Loan or Local Program individual Serna Loans;
  - (12) Special conditions imposed on a case-by-case basis as part of Department approval of the Local Program or Project;
  - (13) Terms and conditions required by federal or state law; and
  - (14) Other provisions necessary to ensure compliance with the requirements of the Program.
- (b) Prior to the disbursement of funds, the Department shall enter into a 20-year Monitoring Agreement with the Recipient requiring the parties to comply with the requirements and provisions of §207 of these Guidelines regarding a Reuse Account established pursuant to the Program legislation. The Monitoring Agreement shall contain, but not be limited to, the following:
- (1) Requirements regarding the establishment of a Reuse Account for the deposit of Program Loan repayments, including interest and principal, and the requirements for disbursement of funds from the Reuse Account;
  - (2) The plan for servicing the Program Loans as prepared by the Recipient and reviewed and approved by the Department;
  - (3) The plan for the reuse of Program funds;
  - (4) Requirements for submittal of an annual report;
  - (5) Remedies available to the Department in the event of a violation, breach, or default of the Monitoring Agreement;
  - (6) Requirements that the Recipient permit the Department or its designated agents and employees the right to inspect the Local Program or Project, and all books, records and documents maintained by the Recipient in connection with the Reuse Account and long-term Loan servicing; and
  - (7) Other provisions necessary to ensure compliance with the requirements of the Program.
- (c) All homeowner/homebuyer Program Loans originated by a Recipient shall be evidenced by the following documents and provisions:
- (1) A promissory note evidencing the Program Loan, payable to the Recipient in

- the principal amount of the Program Loan and stating the terms and rate of interest of the Program Loan consistent with the requirements of the Program. The Recipient is prohibited from assigning their beneficial interest under the note. The note shall be secured by a deed of trust, or other appropriate security instrument acceptable to the Department, on the homeowner/homebuyer property naming the Recipient as beneficiary. This deed of trust or other appropriate security instrument shall be recorded and shall secure the Recipient's financial interest in the Project. In the case of a Tribal Entity and a homeowner/homebuyer property located on land held in trust by the BIA or land subject to a restriction by the United States against alienation, the note may be secured by (i) a Declaration of Restrictive Covenants, (ii) lien against the leasehold property interest, or (iii) other mechanism acceptable to the Department;
- (2) In the case of homeowner Rehabilitation Program Loans, a Loan agreement between the homeowner and the Recipient governing the Rehabilitation and the Program Loan terms. The terms of any other financing provided by the Recipient should also be included.
- (d) Development Loan legal documents shall include, but not be limited to:
- (1) A promissory note evidencing the Loan, payable to the Department in the principal amount of the Loan and stating the terms of the Loan consistent with the requirements of the Program. The note shall be secured by a deed of trust on the Project property naming the Department as beneficiary. This deed of trust shall be recorded junior only to such liens, encumbrances and other matters of record approved by the Department and shall secure the Department's financial interest in the Project and the performance of the Developer Borrower's Program obligations. In the case of a Tribal Entity and a Project located on land held in trust by the BIA or land subject to a restriction by the United States against alienation, the note may be secured by the following wherein the Department shall be named as a beneficiary in each security instrument (i) a Declaration of Restrictive Covenants, (ii) lien against the leasehold property interest, or (iii) other mechanism acceptable to the Department;
- (2) A development agreement between the Department and the Developer Borrower for not less than the term of the development Loan, which sets forth the obligations of the parties regarding standards and conditions which control development of the subject property.
- (e) Self-Help Technical Assistance Grant legal documents shall include, but not be limited to, an agreement between the Recipient and self-help participants which clearly sets forth what is expected of each party, and which clearly shows what work is expected of the participating Household.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50517.5\(a\)\(1\)](#), [HSC §50650.2](#), [HSC §50650.3\(b\)](#), [HSC §50650.4](#) and [HSC §50650.7](#)

## **Section 601. Disbursement of Loan and Grant Funds**

- (a) Program funds shall be disbursed on an advance or reimbursement basis. Advances may include, but are not limited to:
- (1) Homeownership Development Project Loan disbursements;
  - (2) Advances of up to 25 percent of the Award for Self-Help Technical Assistance;
  - (3) Advances of up to 25 percent of the Award for Owner-Occupied Rehabilitation Programs up to the amount of the Recipient's anticipated volume of closed Loans for the following 60 days; or
  - (4) Advances of up to 25 percent of the Award for escrow for Mortgage Assistance Loans.
- (b) Details of the process for disbursements are as follows:
- (1) Serna program funds shall not be obligated to a Recipient prior to the date a Standard Agreement is executed by both the Recipient and the Department. Serna program funds may be released only after the Standard Agreement is fully executed and the Department has reviewed and approved the following Recipient submissions:
    - (A) Loan servicing plan;
    - (B) Recipient's applicable Program Guidelines;
    - (C) Loan document templates;
    - (D) Reuse Agreement with verification of established Reuse Account;
    - (E) Fully executed 20-year Monitoring Agreement, and;
    - (F) If Recipient contracts with a third party for any item(s) listed under §601(b)(1), then Recipient shall also submit the legally binding agreement with such third party, together with any and all exhibits, addenda, and amendments thereto, to the Department for review and approval.
  - (2) Serna program funds may be requested as either a reimbursement or as an advance. All Recipients shall reconcile advances within ninety (90) days of receipt of funds from HCD. Documentation showing at least two-thirds of the funds previously released for program activities were expended shall be

submitted to the Department before another advance request will be processed. Recipients shall also be up to date on all submissions of quarterly, annual, and reuse account reports before another advance request will be processed. Advances that are not used within this timeframe shall be returned to the Department.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50517.5\(a\)\(1\)](#), [HSC §50650.2](#), [HSC §50650.3\(b\)](#), [HSC §50650.4](#) and [HSC §50650.7](#)

## **Section 602. Reporting Requirements**

- (a) During the term of the Standard Agreement, and no later than 30 days after the end of each calendar quarter, the Recipient shall submit to the Department a performance report which shall address the following topics:
  - (1) Description of current status of Program Activity, including number of Units assisted;
  - (2) Description of activities to be undertaken in the next reporting period;
  - (3) Description of problems or delays encountered in Program implementation, and course of action taken to address them;
  - (4) Description of actions taken to meet Program expenditure deadlines;
  - (5) Summary of Program fiscal status, including:
    - (A) Award amount;
    - (B) Funds drawn;
    - (C) Remaining balance.
  
- (b) During the term of the Standard Agreement and Monitoring Agreement, no later than 30 days after June 30 of each year, the Recipient shall submit to the Department an annual performance report which shall address the following topics:
  - (1) Number of Units assisted with Program Loans by Program Activity type;
  - (2) Amount of Program funds spent on Program Eligible Activities by category;
  - (3) Summary of fiscal status for the reporting period, including:
    - (A) Award amount;
    - (B) Funds drawn as of June 30; and
    - (C) Remaining balance.

- (c) At any time during the term of the Standard Agreement or the Monitoring Agreement, the Department may perform or cause to be performed an independent financial audit of any and all phases of the Recipient's Local Program, Self-Help Technical Assistance Project, or Homeownership Development Project. At the Department's request, the Recipient shall provide, at its own expense, a financial audit prepared by a certified public accountant.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50517.5\(a\)\(1\)](#), [HSC §50650.2](#), and [HSC §50650.7](#)

### **Section 603. Performance Goals.**

- (a) For all Local Program activities:

- (1) One hundred percent of funds shall be expended within 36 months of the date the Standard Agreement is executed by the Department. If this goal is not met:
  - (A) The remaining unused funds may be disencumbered by the Department; and
  - (B) If less than 95 percent of the funds are expended at the end of the 36th month, the Recipient's next application for funding under the Program may receive a penalty deduction in the total points awarded pursuant to the current NOFA.

- (b) For Homeownership Development Projects:

- (1) The Recipient shall draw down Program funds or begin onsite construction within 22 months of the date the Standard Agreement is executed by the Department. If this goal is not met, the Department may disencumber all funds and cancel the Department commitment to the Project; and
- (2) Unit construction must be completed, and Program Mortgage Assistance Loans closed, within 60 months of the date the Standard Agreement is executed by the Department. If the projected number of Assisted Units has not been achieved by the end of the 60th month, the Recipient's next application for funding under the Program may receive a penalty deduction in the total points awarded pursuant to the current NOFA.

- (c) For Self-Help Technical Assistance Grants

- (1) The Recipient shall begin onsite construction within 12 months of the date the Standard Agreement is executed by the Department. If this goal is not met, the Department may disencumber all funds and cancel the Department commitment to the Project; and

- (2) Unit construction shall be completed within 60 months of the date the Standard Agreement is executed by the Department. If this goal is not met, then:
  - (A) The remaining unused funds may be disencumbered by the Department; and
  - (B) If the projected number of Assisted Units has not been completed by the end of the 60<sup>th</sup> month, the Recipient's next application for funding under the Program may receive a penalty deduction in the total points awarded pursuant to the current NOFA.
- (d) The Department may exercise its reasonable discretion to disencumber funds discussed under this provision or to grant an extension of time; provided however that any extensions are in all events subject to any and all applicable encumbrances, deadlines, and limitations, including but not limited to H.S.C. 54006(g).

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50517.5\(a\)\(1\)](#), [HSC §50650.2](#), and [HSC §50650.7](#)

#### **Section 604. Defaults and Loan Cancellations**

- (a) Funding commitments may be canceled by the Department under any of the following conditions:
  - (1) The objectives and requirements of the Program cannot be met;
  - (2) Implementation of the Local Program or Project cannot proceed in a timely fashion in accordance with the timeframes established in the Standard Agreement;
  - (3) Funding conditions have not been fulfilled within required time periods.
- (b) In the event of a breach or violation by the Recipient of any of the provisions of the Standard Agreement, the Development Agreement, the Homeownership Development Project Loan promissory note, or the Homeownership Development Project Loan deed of trust or other security instrument, or any other agreement pertaining to the Homeownership Development Project, the Department may give written notice to the Sponsor to cure the breach or violation within a period of not less than 15 days. If the breach or violation is not cured to the satisfaction of the Department within the specified time period, the Department, at its option, may declare a default under the relevant document and may seek legal remedies for the default, including the following:
  - (1) The Department may accelerate all amounts, including outstanding principal and interest, due under the Loan and demand immediate repayment thereof. Upon a failure to repay such accelerated amount in

- full, the Department may proceed with a foreclosure in accordance with the provisions of the deed of trust and state law regarding foreclosures. In the case of a Tribal Entity and a Project located on land held in trust by the BIA or land subject to a restriction by the United States against alienation, the Department may exercise its beneficiary rights under the security instrument described under §600(d)(1);
- (2) The Department may seek, in a court of competent jurisdiction, an order for specific performance of the defaulted obligation or the appointment of a receiver to complete the Project in accordance with Program requirements; and
  - (3) The Department may seek such other remedies as may be available under the relevant agreement or any law.
- (c) A Recipient may terminate a Homeownership Development Loan upon request provided that the Recipient repays the Department the full amount of the Award and the Department has determined that one or more of the following or similar circumstances has occurred which makes the continued operation of the housing development in compliance with Program requirements no longer feasible:
- (1) The employment of Agricultural Workers has greatly decreased in the area;
  - (2) A sufficient number of Agricultural Workers and their families in fact do not apply to live in the housing development;
  - (3) The dwelling Units of the housing development are no longer suitable because of design, size, or age for the housing needs of the Agricultural Workers and their families employed in the area.

**NOTE:** Authority Cited: [HSC §50406\(n\)](#), [HSC § 50517.5\(a\)\(1\)\(B\)](#), [HSC §50517.5\(a\)\(1\)\(C\)](#), [HSC §50517.5\(a\)\(1\)](#), [HSC §50650.2](#), [HSC §50650.3\(b\)](#), [HSC §50650.4](#) and [HSC §50650.7](#)



## APPENDIX A- DEFINITIONS

This appendix includes combined definitions for both Homeownership Super NOFA Guidelines and replaces former Guidelines definitions.

**AB 434-** Assembly Bill No. 434, Chapter 192, Statutes of 2020.

**Accessory Dwelling Unit (ADU)-** Shall have the same meaning as defined by paragraph (4) of subdivision (j)(1) of Government Code (GC) §65852.2.

**Activity-** An eligible use of Program funds that can be either a Homeownership Development Project or a Local Program.

**Administrative Subcontractor-** Any entity or individual which contracts with the Program Recipient to provide any portion of administrative services to the Local Program Activity. Individuals or groups that are acting in the capacity of developer or owner of a Project shall not act as Administrative Subcontractor for the Activity.

**ADU/JADU Program-** Funds are provided to a Locality or Nonprofit Corporation to administer a Program to fund the construction, reconstruction, repair, or Rehabilitation of ADUs or Junior Accessory Dwelling Units (JADUs). The Eligible Household is allowed, if assisted through a CalHome Program ADU/JADU Program, to rent or lease an ADU or a JADU unit.

**Affordable-** As it relates to housing costs, this means that the housing obligation can be paid by the person or Household, along with all other financial responsibilities, without endangering the financial stability of the Household.

**After-Rehabilitation Value-** The appraised value of the property including completed Rehabilitation work.

**Agricultural Employment-** Employed in the cultivation and tillage of the soil; the production, cultivation, growing and harvesting of any agricultural or horticultural commodities; the raising of livestock, bees, furbearing animals, or poultry; dairying, forestry, and lumbering operations; and any work on a farm as incident to or in conjunction with such farming operations, including the delivery and preparation of commodities for market or storage. Agricultural Employment also includes work done by any person who works on or off the farm in the processing of any agricultural commodity until it is shipped for distribution, whether or not such person is encompassed within the definition specified in subdivision (b) of §1140.4 of the Labor Code.

**Agricultural Household-** An Agricultural Worker or workers and other persons who reside or will reside with an Agricultural Worker in an Assisted Unit.

**Agricultural Worker-** An individual who derives, or prior to retirement or disability derived, a substantial portion of his/her income from Agricultural Employment.

**Annual Income-** All income as defined in 24 Code of Federal Regulations (CFR), Part 5, §5.609 (see Income Calculation and Determination Guide for Federal Programs, Chapter 1, Chapter 2, and Chapter 3). ADU or JADU related income will be exempt from the Annual Income calculation.

**Applicant-** The Local Public Entity(ies) and/or Nonprofit(s) applying to the Department for the Program funding. Such Local Public Entity(ies) and/or Nonprofit(s) may also be the Sponsor, defined in these Guidelines. Upon receiving an Award of funds, the Applicant will be referred to as the “Recipient” in the Department’s legal documents relative to an Award of a Grant, or as “Sponsor” in the Department’s legal documents relative to an Award of a Loan. For the purpose of designated Program Guidelines, an Applicant that only receives an Award of Grant funding will, both individually and collectively, be referred to as the “Recipient.”

**Assisted Housing Unit (Unit)-** A housing Unit that is subject to Program occupancy restrictions as a result of financial assistance provided under the Program. Assisted Units shall also include Units occupied by a Seeker successfully matched to a Homeowner Provider under a Shared Housing Local Program or a Household provided with Self-Help Technical Assistance in a Project funded pursuant to this subchapter.

**Award-** A commitment of money in the form of a Program Grant or a Loan that is made by the Department to an Applicant.

**Back-End Ratio-** The ratio between monthly Household income and monthly Housing Costs plus all payments on long-term installment debt.

**Borrower-** A homebuyer(s) or existing homeowner(s) who has or will receive a Program Loan made from the Department funded Local Program. This person(s) will sign the promissory note and is or will be the homeowner of the property being financed.

**Community-Based Developer–** A nonprofit entity (including a Tribal Entity), and/or a Limited Liability Company or Limited Partnership if permitted by the applicable funding Program, which satisfies all of the following requirements at the time of application, as reasonably determined by the Department:

- (a) The entity shall have been operating in the community to be served by the Project described in the application for a period of at least twenty-four (24) consecutive months immediately preceding application submittal;
- (b) The entity shall reasonably define the community to be served by specifying and delineating the applicable neighborhood geographic area on a map showing, among other things, the boundaries thereof and the number of square miles contained therein, not to exceed ten (10) square miles for non-Rural Areas or twenty (20) square miles for Rural Areas; and such defined community shall:

- (1) be primarily or exclusively located in a Moderate and/or Low Resource area or in a High Segregation & Poverty area, as designated in the most recently updated TCAC/HCD Opportunity Area Map or in such comparable federal map(s) as approved by the Department;
  - (2) include the Project to be funded by the award; and
  - (3) subject to subsection (c) immediately following, include the entity's corporate office within its boundaries.
- (c) The entity satisfies either of the following geographic requirements, as applicable:
- (1) Where the proposed Project is located in a non-Rural Area, either:
    - (A) the entity maintains a corporate office within five (5) miles of the proposed Project, or (B) the entity has developed, owned, or operated at least three (3) deed-restricted affordable housing projects located within ten (10) miles of the proposed Project; or
  - (2) Where the proposed Project is located in a Rural Area, either: (A) the entity maintains a corporate office within ten (10) miles of the proposed Project, or (B) the entity has developed, owned, or operated at least three (3) deed restricted affordable housing projects located within twenty (20) miles of the proposed Project.
- (d) The entity satisfies both of the following experience requirements:
- (1) The entity has developed, owned, or operated at least one (1) Homeownership Development Project that is equivalent to the proposed Project in size and scale. The Department may determine experience by evaluating the experience of the entity itself or the experience of senior staff within the organization. If the experience requirement is satisfied by one or more of the Community-Based Developer's senior staff members, then the Standard Agreement and the loan documents shall include a Sponsor obligation to provide the Department with immediate written notice in the event of such member's or members' departure from or termination by the entity.
  - (2) The entity has at least five (5) years' experience in the delivery of Culturally Competent Services and/or Community Benefit Programs to Very Low Income and/or Lower Income households in the communities served by the entity. This experience must include direct, in-person delivery of at least two (2) Culturally Competent Services and/or Community Benefit Programs to the general public within ten (10) miles of the proposed Project. Such services or programs must have been provided on an ongoing basis and during core business hours, and they cannot have been provided at an

existing affordable housing project.

- (e) The entity serves no more than three (3) distinct geographic communities, as demonstrated by the location or delivery site of corporate offices, affordable housing projects, Culturally Competent Services, and/or Community Benefit Programs.
- (f) The entity has community knowledge, commitment to long-term community investment, and population-specific cultural competency, as demonstrated by evidence of at least two (2) of the following:
  - (1) Receipt of grant funds for services within the relevant community.
  - (2) Bilingual staff members that provide daily language assistance during the entity's delivery of services to the relevant community.
  - (3) A record of hiring within the community.
  - (4) Membership in or recruitment from a local Urban League (or substantially equivalent) organization.

**Community Benefit Programs**– Such programs include, but are not limited to, the following:

- (a) Free or reduced-cost childcare, after-school care, youth development, or adult daycare programs.
- (b) Community center facilities that are staffed and open to the public at least once a week or a minimum of seven (7) hours each week.
- (c) A medical clinic with a physician, physician's assistant, or nurse practitioner onsite for a minimum of 40 hours each week.
- (d) Technical assistance or lending to, or investment in, at least ten (10) small businesses within five (5) miles of the proposed Project.
- (e) Job training, digital literacy training, college outreach (linking potential students to college resources and information), or other employment or educational programs or outreach.
- (f) Financial counseling, housing counseling, free tax return assistance, or other economic empowerment programs.
- (g) Food distribution programs.

**Community Revitalization**- A Program or Project will be considered to contribute towards Community Revitalization if all Units to be assisted with Program funds are, or will be, located within a federal Promise Zone or a Choice Neighborhood

Initiative Area, an Opportunity Zone, or a federally designated Justice40 Initiative disadvantaged community.

**Construction Skills Training Program-** An existing program that trains youth 16 to 24 years old in construction skills.

**Construction Period Expenses-** Carrying costs during construction, including insurance, construction financing fees and interest, taxes, and any other expenses necessary to hold the property while the eligible Homeownership Development Project, including ADUs and JADUs, is under construction. Construction Period Expenses do not include unit construction costs.

**Department or HCD-** The California Department of Housing and Community Development.

**Developer-** Locality or Nonprofit Corporation that owns the Project land, obtains the Project financing, and develops the Homeownership Development Project.

**Developer Borrower-** Developer who receives a Program Loan for the development of a Project involving Homeownership Units.

**Elderly-** The same as defined in [H.S.C., §50067](#).

**Eligible Household-** A Lower or Very Low-Income Household at or below Moderate-Income Household that is a victim of a disaster as defined in [H.S.C., §50650.3](#) that is:

- (a) A First-Time Homebuyer;
- (b) An existing owner-occupant of property in need of Rehabilitation, including construction, repair, reconstruction, or Rehabilitation of an ADU or a JADU;
- (c) A homeowner participant in a Shared Housing Local Program; or
- (d) A First-Time Homebuyer participant in a Self-Help Construction Project.

The Eligible Household shall occupy, or intend to occupy, the property as their principal residence and shall not lease or rent the property

**First-Time Homebuyer-** A Borrower(s) who has not owned a home during the three-year period before the purchase of a home with Program assistance, except that the following individual or individuals may not be excluded from consideration as a First-Time Homebuyer under this definition:

- (a) A displaced homemaker who, while a homemaker, owned a home with their spouse or resided in a home owned by the spouse. A displaced homemaker is an adult who has not within the preceding two years worked on a fulltime basis as a member of the labor force for a consecutive 12-month period and who has

been unemployed or underemployed, experienced difficulty in obtaining or upgrading employment, and worked primarily without remuneration to care for their home and family;

- (b) A single parent who, while married, owned a home with their spouse or resided in a home owned by the spouse. A single parent is an individual who is unmarried or legally separated from a spouse and has one or more minor children for whom the individual has custody or joint custody, or is pregnant; or
- (c) An individual or individuals who owns or owned, as a principal residence during the three-year period before the purchase of a home with Program assistance, a dwelling Unit whose structure is:
  - (1) Not permanently affixed to a permanent foundation in accordance with local or state regulations; or
  - (2) Not in compliance with state, local, or model building codes and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure.

**Foundation System-** An assembly of materials designed and engineered by an architect or engineer to resist the imposition of external forces once a Manufactured Home or Mobilehome is installed upon it. This includes a design to withstand vertical and lateral forces due to dead load, roof and floor live loads, wind, and seismic loads in accordance with the California Residential Code.

**Front-End Ratio-** The ratio between monthly Household income and monthly Housing Costs, including first Mortgage, principal, interest, taxes, and insurance.

**Grant-** An Award of funds made from the Department to eligible Localities or Nonprofit Corporations to operate Local Programs or to provide Self-Help Technical Assistance to a Project. In the case of a Homeownership Development Project Loan, the portion of that Loan which is used to provide Mortgage Assistance to qualified First-Time Homebuyers is converted to a Grant.

**Grant Agreement-** The written agreement between the Department and the developer of an ownership Housing Project ensuring compliance with construction, financial and Program obligations.

**Homebuyer Education-** A specific course of instruction to educate First-Time Homebuyers regarding various aspects of purchasing and maintaining a home.

**Homeownership-** Any of the following:

- (a) Fee simple title on real property
- (b) A leasehold interest on real property that enables the lessee to make improvements on and encumber the property and has a term sufficient to secure the Program Loan. ¶

- (c) Ownership of a Manufactured Housing Unit
- (d) A share interest in a limited equity housing cooperative.
- (e) A tribal land assignment, tribal homestead site, or other form of tribally-determined homeownership.
- (f) An interest in a Mutual Housing Project.

**Homeownership Development Project-** New construction, Rehabilitation, or adaptive reuse on a site, including single-family subdivisions, multifamily Homeownership Projects such as condominium developments, or scattered sites, that is under common ownership, development financing and construction.

**Homeownership Development Project Loan (“Project Loan”)-** Development loan to the Recipient to be used for purchase of real property, Onsite Improvements, Predevelopment Costs, and Construction Period Expenses. Onsite Improvements do not include construction of housing units. Construction Period Expenses do not include unit construction costs. Up to 100 percent of the Project Loan may be used to provide Mortgage Assistance to qualified First-Time Homebuyers once the homes are built; any portion of the Project Loan used for Mortgage Assistance is converted to a Grant. Any remaining Project Loan amount not used for Mortgage Assistance is repayable to the Department.

**Homeowner Provider-** A Low-Income person(s) currently residing in a home they own and occupy as a principal place of residence who desires to find a tenant to share their residence.

**Household-** One or more persons occupying the same housing Unit.

**Housing Cost-** Pursuant to [Title 25, California Administrative Code, §6920](#), the Housing Cost of a person or family purchasing a housing Unit shall include all of the following associated with that housing Unit:

- (a) Principal and interest on a Mortgage Loan, including any Rehabilitation Loans, and any Loan insurance fees associated therewith;
- (b) Property taxes and assessments;
- (c) Fire and casualty insurance covering replacement value of property improvements;
- (d) Property maintenance and repairs;
- (e) A reasonable allowance for utilities, including garbage collection, sewer, water, electricity, gas, and other heating, cooking, and refrigeration fuels. Utilities does not include telephone service. Such an allowance shall take into consideration the cost of an adequate level of service;
- (f) Homeowner association fees;

(g) Space rent if the housing Unit is situated on rented land.

**Housing development-** A residential housing development that receives assistance from the Program and includes Assisted Housing Units.

**HUD-** The U.S. Department of Housing and Urban Development.

**Indian Country-**

- (a) All land located in “Indian Country” as defined by 18 U.S. Code (USC) 1151:
- (b) all land within the limits of any Indian reservation under the jurisdiction of the United States Government, notwithstanding the issuance of any patent, and, including rights-of-way running through the reservation,
- (c) all dependent Indian communities within the borders of the United States whether within the original or subsequently acquired territory thereof, and whether within or without the limits of a state, and
- (d) all Indian allotments, the Indian titles to which have not been extinguished, including rights-of-way running through the same.
- (e) All land within the limits of a Rancheria under the jurisdiction of the United States Government.
- (f) All land held in trust by the United States for an Indian Tribe or individual; and
- (g) All land held by an Indian Tribe or individual subject to a restriction by the United States against alienation.

**Junior Accessory Dwelling Unit (JADU)-** In compliance with [GC §65852.22](#), a residential living area contained within a proposed or existing single-family residence that is no more than 500 square feet in size. JADUs can include additions to an existing structure of no more than 150 square feet. JADUs shall include independent provisions for living, sleeping, eating, and cooking (area meeting the definition of Efficiency Kitchen but not a standard Kitchen), and shared or separate sanitation facilities with the main dwelling unit. See also Accessory Dwelling Unit.

**Loan-** The same meaning as defined in [H.S.C., §50076.6](#).

**Loan-to-Value Ratio-** The ratio between the amount of all indebtedness liened, or to be liened, against a property and the appraised value of the property securing the liens.

**Limited Liability Company-** a Limited Liability company where all the members are Nonprofit public benefit corporations. Limited Liability Company eligibility requirements are specified in §200.1 of the Serna Guidelines.



**Limited Partnership-** A Limited Partnership as defined in [§171.5 of the Corporations Code](#) and in which all of the general partners are either Nonprofit public benefit corporations, Limited Liability Companies, or a combination of Nonprofit public benefit corporations and Limited Liability Companies. Limited Partnership eligibility requirements are specified in §200.1 of the Serna Guidelines.

**Local Public Entity or Locality-** Any county, city, city and county, Tribal Entity, a community redevelopment agency, or successor agency organized pursuant to [Part 1 \(commencing with §33000\) of Division 24](#), or housing authority organized pursuant to [Part 2 \(commencing with §34200\) of Division 24](#), and any instrumentality thereof, which is authorized to engage in or assist in the development or operation of housing for persons and families of Low-Income. It also includes two or more Local Public Entities acting jointly.

**Local Program-** Either a First Time Homebuyer Mortgage Assistance, Owner-Occupied Rehabilitation, Self-Help Technical Assistance, Serna Acquisition of Manufactured Housing Activity, CalHome ADU/JADU, or CalHome Shared Housing Program operated by a Local Public Entity or Nonprofit Corporation.

**Lower-Income or Low-Income-** The same meaning as defined in [§50079.5 of the H.S.C.](#) or another definition if one is provided in a given NOFA for Program funding. In the case of Eligible Activities located within Indian Country, lower-income or low-income shall be determined in accordance with 25 U.S.C. §4103.

**Manufactured Home Community-** The same meaning as Mobilehome Park as defined in [H.S.C. §18214](#).

**Manufactured Housing or Manufactured Home-** Pursuant to [H.S.C. §18007](#), means a structure that was constructed on or after June 15, 1976, is transportable in one or more sections, is eight body feet or more in width, or 40 body feet or more in length, in the traveling mode, or, when erected on site, is 320 or more square feet, is built on a permanent chassis and designed to be used as a single-family dwelling with or without a foundation when connected to the required utilities, and includes the plumbing, heating, air conditioning, and electrical systems contained therein. “Manufactured home” includes any structure that meets all the requirements of this paragraph except the size requirements and with respect to which the manufacturer voluntarily files a certification and complies with the standards established under the National Manufactured Housing Construction and Safety Act of 1974 (42 U.S.C., Sec. 5401, and following). A Manufactured Home can be in a rental Mobilehome Park, on leased land, or on property owned by the occupant. In these Guidelines, with respect to Manufactured Housing not installed on a permanent foundation, terms that typically apply to conventionally constructed housing or to Loans secured by real property shall be given the appropriate analogous meaning used in the Manufactured Housing industry. For example, rather than holding fee title to the property, a Manufactured Homeowner is listed as the registered owner on the certificate of title issued by the Department.

**Maximum Sales Price/Value Limit-** The maximum allowable sales price, or the

maximum After-Rehabilitation Value of a home assisted with a Program Loan.

**Mobilehome-** Pursuant to [H.S.C. §18008](#) means a structure that was constructed prior to June 15, 1976, is transportable in one or more sections, is eight body feet or more in width, or 40 body feet or more in length, in the traveling mode, or, when erected onsite, is 320 or more square feet, is built on a permanent chassis and designed to be used as a single-family dwelling with or without a foundation system when connected to the required utilities, and includes the plumbing, heating, air conditioning, and electrical systems contained therein. “Mobilehome” includes any structure that meets all the requirements of this paragraph and complies with the state standards for Mobilehomes in effect at the time of construction. “Mobilehome” does not include a commercial modular, as defined in [H.S.C. §18001.8](#), factory-built housing, as defined in HSC §19971, a Manufactured Home, as defined in [H.S.C. §18007](#), a multifamily Manufactured Home, as defined in [H.S.C. §18808.7](#), or a recreational vehicle, as defined in [H.S.C. §18010](#).

Notwithstanding any other provision of law, if a codified provision of state law uses the term “Mobilehome,” and it clearly appears from the context that the term “Mobilehome” should apply only to Mobilehomes, as defined under subdivision (a), the codified provision shall apply only to those Mobilehomes. If any codified provision of state law, by its context, requires that the term applies to Mobilehomes or Manufactured Homes without regard to the date of construction, the codified provision shall apply to both Mobilehomes, as defined under subdivision (a), and Manufactured Homes, as defined under [H.S.C. §18007](#).

**Mobilehome Park-** The same as defined in [H.S.C. §18214](#).

**Moderate-Income Household-** The same as defined in [H.S.C., §50093](#), or another definition if one is provided in a given NOFA for program funding.

**Monitoring Agreement-** The contract entered into between the Department and a Recipient that allows for the long-term monitoring of Award for compliance with Program Guidelines.

**Mortgage-** A deed of trust which is used to secure a lien on real property or, in the case of Manufactured Housing, a security instrument sufficient to legally perfect a security interest in the home.

**Mortgage Assistance-** Permanent financing used towards homebuyer costs, up to a maximum limit as specified in the current NOFA.

**Mortgage Assistance Program-** Shall consist of providing Mortgage Assistance Loans to households at or below 80 percent of AMI or to households below 120 percent of AMI who were victims of a disaster (in compliance with Health and Safety Code, §50650, subdivision a(3)).

**Multifamily Housing-** A structure or facility established primarily to provide housing that provides four or more living Units, in which ultimately Agricultural Households hold title to individual Units.

**Mutual Housing-** A multi-Unit Homeownership Development that allows each resident a vested financial interest that has a determinable market value, is divisible and gives the owner an exclusive right to occupy a designated Unit for an indefinite period.

**NOFA-** Notice of Funding Availability issued by the Department to announce that funds are available and that applications for that funding may be submitted.

**Nonprofit** - The same as "Nonprofit Corporation" defined in H.S.C. §50091.

**Owner-Occupied-** Real estate in which the person who owns the property also uses the home as their primary residence.

**Owner-Occupied Rehabilitation Program-** A Program to assist owners of homes that are in need of Rehabilitation that is run by a locality or Nonprofit Corporation.

**Permit to Operate** –A “Permit to Operate” a mobilehome issued by the Mobilehome Parks Program of the Division of Codes and Standards of the California Department of Housing and Community Development.

**Person With a Disability-** An individual with a physical or mental impairment that limits one or more major life activities as defined by the California Fair Employment and Housing Act (FEHA) and other disability rights statutes (GC §12955.3, GC §12926(m), and GC §12926(j)).

**Predevelopment Costs-** The costs directly related to Program eligible housing development, including ADUs and JADUs. Predevelopment Costs may include, but are not limited to, the costs of, or the costs associated with, land purchase or options to buy land; professional services such as architectural, engineering, or legal services; permit or application fees; bonding; site preparation; related water or sewer development; or material expenses.

**Predevelopment Work** - Includes grading; site preparation (with the exception of demolition or clearing of property); and/or site improvements intended for public dedication.

**Principal-** Employees of the Applicant who are in a position responsible for the oversight and management of development activities.

**Program–** in the CalHome Guidelines, the term ‘Program’ is defined as the CalHome Program.

**Program-** in the Serna Guidelines, the term ‘Program’ is defined as the Joe Serna, Jr. Farmworker Housing Grant Program.

**Project-** An eligible Activity that is a specific, singular endeavor to deliver a tangible output, such as a housing development, as opposed to a Program, which is a

combination of activities and is delivered as a single package, such as a Mortgage Assistance Program.

**Recipient-** An eligible Applicant that has applied or has received approval for an Award of funds from the fund. The term "Recipient" shall include successors in interest and assignees of a Recipient.

**Reconstruction** - The rebuilding of a structure on the same site in substantially the same manner. Reconstruction is a form of Rehabilitation. The number of dwelling units on a site may not be increased but the number of rooms per unit may be increased or decreased. In the case of a disaster, as defined in H.S.C., §50650.3, replacement of a Manufactured Home pursuant to Guidelines §403.2, subdivision (e) is permitted on a different site if the original damaged unit was on leased land and the owner of the Manufactured Home must relocate to a new property. In the case of a disaster, as defined in H.S.C., §50650.3, HCD may, at its sole discretion and on a case-by-case basis, allow reconstruction of a Stick-Built Home on a different site under limited circumstances (for example, if rebuilding on the same site is infeasible or cost prohibitive due to extensive infrastructure damage, or if the new site is in an area with substantially lower disaster risk than the existing site).

**Rehabilitation-** In addition to the definition from [H.S.C. §50096](#) and [§50097](#), it can also have the following meanings:

- (a) Repairs and improvements to a Manufactured Home necessary to correct any condition causing the home to be substandard;
- (b) Installation of a permanent foundation on a Manufactured Home that is Owner-Occupied as a principal place of residence, such that the Manufactured Home is assessed as real property, and valued in the same manner as a conventional home;
- (c) Reconstruction;
- (d) Construction, repair, reconstruction, or Rehabilitation of an ADU or a JADU;
- (e) Conversion of an existing space to add an ADU or a JADU;
- (f) Room additions to prevent overcrowding;
- (g) Repairs and improvements which are necessary to meet any locally adopted standards used in local Rehabilitation; and
- (h) Modifications, alterations, and additions necessary to improve accessibility and usability for persons with disabilities who reside in or regularly visit them.

Rehabilitation includes costs incurred for implementing resiliency mitigation measures identified in the Hazard Mitigation Plan or the Safely Element of the

General Plan adopted by the jurisdiction in which the Program will be offered. Rehabilitation does not include replacement of personal property.

**Reuse Account-** An account established pursuant to §209 of these Guidelines.

**Rural Area-** The same as defined in [H.S.C. §50199.21](#).

**RD or Rural Development-** The United States Department of Agriculture acting through the Rural Housing Service, formerly known as the Farmers Home Administration.

**Seeker-** A person who desires to be placed as a tenant in a home that is Owner-Occupied.

**Self-Help Construction-** Owner building as defined in H.S.C., §50692 and may include Mutual Self-Help Housing as defined in H.S.C., §50692(b).

**Self-Help Technical Assistance-** Conducting and administrating a Project of technical or supervisory assistance, which will aid Eligible Households in carrying out owner-builder housing efforts.

**Shared Housing-** A Local Program designed to preserve Homeownership by matching a Homeowner Provider with a Seeker.

**Shared Housing Match-** A Seeker who has been successfully placed as a tenant into the residence of a Homeowner Provider.

**Shared Housing Technical Assistance-** The provision of services required to match a Homeowner Provider with a Seeker.

**Standard Agreement-** The contract entered into between the Department and a Recipient pursuant to §600 of these Guidelines.

**Stick-Built Home-** A non-manufactured home, constructed entirely (or largely) on-site, using wood for the superstructure of the walls and roof.

**Sponsor-** *This term is only applicable under the New Construction Loan Program.* A Sponsor is an entity that constructs, develops, rehabilitates, purchases, or owns a housing development that is or will be subject to legally enforceable restrictive covenants that require the housing development to provide, at least in part, Affordable housing.

**TCAC/HCD Opportunity Area Map-** The map or maps approved periodically by the California Tax Credit Allocation Committee (TCAC) as the TCAC/HCD Opportunity Area Map.

**Tribal Entity-** Any of the following:

- (a) An Indian Tribe as defined under [United States Code \(USC\) §4103\(13\)\(B\) of Title 25](#).
- (b) A Tribally Designated Housing Entity under [25 USC §4103\(22\)](#).
- (c) An Applicant that:
  - (1) is an Indian Tribe listed in the Bureau of Indian Affairs Office of Federal Acknowledgment Petitioner List, pursuant to [CFR §83.1 et. seq. of Title 25](#) or an Indian Tribe located in California that is on the contact list maintained by the State of California Native American Heritage Commission for the purposes of consultation pursuant to GC §65352.3; and
  - (2) has organized a separate legal entity, either a non-profit or for-profit entity, in compliance with CCR tit. 25, §8301(s) and it is demonstrated to the satisfaction of the Department that the separate legal entity is controlled by the Tribal Entity Applicant.

**Tribal Households or Tribal Household** - means a household that includes at least one (1) member of either of the following: an Indian Tribe as defined under 25 USC §4103(13)(B) or a non-federally recognized tribe that meets the requirements of a Tribal Entity, as defined herein.

**Very Low-Income Household-** The same as defined in [§50105 of the H.S.C.](#) or another definition if one is provided in a given NOFA for Serna funding.

**Volunteer Labor-** Skilled or unskilled construction labor provided without remuneration.

## APPENDIX B- TRIBAL ELIGIBILITY

**A. A Tribal Entity** may qualify for Program funds if their Project meets the following requirements:

- (a) Projects are located in Indian Country or on fee land within the state of California AND;
- (c) The Applicant meets the following conditions of Award funding to the extent applicable, and, subject to any modifications or waivers as provided for in [H.S.C. §50406, subdivision \(p\) \(Assembly Bill 1010 \(Chapter 660, Statutes of 2019\)\)](#) that shall be set forth in a Standard Agreement. It is noted that these same conditions do not need to be satisfied initially to engage in the competitive Award process:
  - (1) BIA Approval. To the extent required by applicable law, the Bureau of Indian Affairs (BIA) has approved the Applicant's execution and recordation (as applicable) of all Department-required documents that are subject to 25 CFR Part 152 or 25 CFR Part 162, prior to award disbursement.
  - (2) Title Insurance. The Department has received title insurance for the property underlying the Project that is satisfactory to the Department. Notwithstanding the foregoing sentence, upon a showing of good cause, for Applicants unable to provide a conventional title insurance policy satisfactory to the Department, this condition may be satisfied by a Title Status Report (TSR) issued by the BIA Land Title and Records Office or pursuant to a title opinion letter issued for the benefit of the Department but paid for by the Applicant. An uncertified title status report issued by the BIA will be acceptable to the Department while the Tribal Entity Applicant's application is pending, provided a certified title status report or title opinion letter must be provided before award disbursement.
  - (3) Recordation Requirements. Where recordation of instruments is a condition of Award funding or otherwise required under or pursuant to the Standard Agreement, the subject instrument is recorded if recorded with the Land Titles and Records Office at the BIA or in the appropriate official records of the county in which the Project is located, as may be applicable.
  - (4) Fee Security Required. For all Projects, except those located on trust or restricted lands within Indian Country, fee security shall be required, unless the terms allowing leasehold security are satisfied as set forth in

[Title 25 CCR §8316](#). If a Department Loan/Grant is recorded on fee land, then there must be a restriction preventing that land being put into trust until the Department Loan/Grant term is complete.

B. Per the [Director's Memo and LWSI Omnibus Amendment](#), the Department has removed the Limited Waiver of Sovereign Immunity (LWSI) requirement from this housing program, making it easier for tribes to access critical housing resources. In addition, AB 1878 prohibits the Department from requiring a waiver for this program to the extent that not requiring such a waiver is not in conflict with applicable law.