



FIRST TIME HOME BUYER MORTGAGE DOWN PAYMENT ASSISTANCE PROGRAM

GUIDELINES

**AS FUNDED BY PERMANENT LOCAL
HOUSING ALLOCATION (PLHA)**



COMMUNITY DEVELOPMENT DEPARTMENT HOUSING DIVISION

FIRST TIME HOME BUYER MORTGAGE DOWN PAYMENT ASSISTANCE PROGRAM GUIDELINES AS FUNDED BY: PERMANENT LOCAL HOUSING ALLOCATION (PLHA)

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FIRST TIME HOME BUYER MORTGAGE DOWN PAYMENT ASSISTANCE PROGRAM GUIDELINES AS FUNDED BY PERMANENT LOCAL HOUSING ALLOCATION (PLHA)

A. PROGRAM OVERVIEW

The City of Salinas First Time Home Buyer, Mortgage Down Payment Assistance Program (MDPAP) was approved by City Council on January 27, 2026, and provides mortgage assistance in the form of a down payment loan for the purchase of a home and associated non-recurring loan closing costs for qualified moderate-income families purchasing their first home within the City of Salinas limits. The household must have sufficient income, assets and credit worthiness to obtain mortgage financing to make a minimum down payment of 3% of the purchase price.

MDPAP bridges the gap between the total purchase price, inclusive of eligible closing costs, and the amount of the buyer's first mortgage loan (the maximum loan for which the buyer qualifies). The City offers a silent second mortgage loan (second lien position) in the form of a 30-year Deferred Payment Loan (DPL) of up to \$125,000 or 17% of the purchase price, whichever is less, with a three percent (3%) simple interest rate. Accrued interest is forgivable after the 30-year loan period, if the property remains occupied by the borrower for the duration of the loan term.

This DPL does not require monthly payment; however, the full loan amount becomes due at the end of the 30-year loan term. Principal loan amount plus any accrued interest becomes due upon; sale, transfer of title, or if the property ceases to be owner-occupied during the period of affordability, as defined in the MDPAP guidelines, whichever comes first. The continuation of the program is subject to availability of funding. The City retains the discretion to update the MDPAP guidelines.

B. BORROWER ELIGIBILITY

1. Income

Income eligibility is based on the gross projected income of all household members, over the age of 18, who will live in the home. For households with multiple family members on title, income from all sources for each family member must be verified. This gross projected income may not exceed 150% of the Area Median Income (AMI), adjusted for household size, for Salinas as published by the Department of Housing and Community Development (HCD). A

prior year's tax return does not establish projected income; current pay stubs must be submitted. Income verification documents must be no older than six months at the time of loan funding. It will be assumed that the applicant's current income circumstances will continue for the next 12 months unless there is verifiable evidence to the contrary. When collecting income verification documentation any known or upcoming changes in income must be considered. Gross income from ALL sources must be included, even if the primary lender excluded an income source. This includes but is not limited to:

- a. Overtime pay, commissions, fees, tips, bonuses, and other compensation for personal services (before any payroll deductions).
- b. If an upcoming raise is noted on the Verification of Employment, income will be calculated based on the raise.
- c. Wages from a second job, even if the borrower has not been employed long enough for FHA underwriting guidelines to consider it.
- d. The regular periodic payments such as Social Security, Supplemental Security Income (SSI), annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar sources, including lump-sum payment for the delayed start of a periodic payment.
- e. Payments in lieu of earnings, including unemployment, disability compensation, worker's compensation, and severance pay.
- f. Periodic and determinable allowances such as alimony, child support, and regular contributions or gifts from persons not residing in the household to the extent that such payments are reasonably expected to continue.
- g. For purposes of this Program, the following types of assets shall be considered in determining eligibility:
- h. Cash savings;
- i. Marketable securities, stocks, bonds, and other forms of capital investment, including tax exempt securities other than Individual Retirement or KEOGH plans;
- j. Inheritance and lump-sum insurance payments received within the last three years;
- k. Settlements for personal or property damage received within the last three years;
- l. Equity in real estate, except as stated below;
- m. Accounts receivable of a business utilizing a cash bookkeeping system; and,
- n. Other personal property which is readily convertible into cash.
- o. The following are not considered assets:
 - Ordinary household effects, including furniture, fixtures, and personal property;
 - Automobiles used for personal use; and

- Depreciable property used in a business that generates a significant proportion of household income.
- p. Interest, dividends, retirement accounts available to applicants, and other net income from personal property. If the household net assets exceed \$5,000, gross income includes the greater of:
 - q. The actual income derived from all assets; or
 - r. 2.5% of the total value of all assets.
- s. **Self-Employed person:** Income qualification is based on prior year income tax returns. Net income plus depreciation from business or professional operations will be used.
- t. Seasonal Employees with fluctuating incomes: Income averaging is allowed.

Income limits issued by HCD can be found at the following link:
<https://www.hcd.ca.gov/funding/income-limits>

2. Household Size

For qualification purposes, “**household size**” is determined as follows:

- a. Immediate household members and dependents must be verified using the prior year Federal Income Tax Return and the Household Composition Form. Any change in household members must be supported with verifiable documentation demonstrating that the new household member will live with the applicant.
- b. If the borrower’s spouse is not shown on the tax return (e.g., the borrower filed Head of Household), the spouse’s tax return or a signed affidavit must be provided, even if the borrower is taking title as a sole and separate borrower. Any income from the spouse must be included, and the spouse will be counted as part of the household.
- c. Families who do not file Federal Income Tax Returns must verify dependents through acceptable documentation such as:
 - d. Child support orders or payment records
 - e. Temporary Aid for Needy Families (TANF) eligibility documents
 - f. Social Security eligibility letters
 - g. Birth certificates
 - h. Other verifiable records

To add a member, documentation must prove that the individual is a supportive, needy family member who will live in the home.

When determining family size, the following individuals should not be counted:

- a. Foster children
- b. Unborn children
- c. Children for whom legal custody is being pursued but who are not currently

living in the home.

3. First-Time Home Buyer

To be eligible, the borrower must be a first-time Home Buyer, *defined as* someone who has not owned a home during the three-year period immediately prior to purchase under the Program. Four other types of households qualify even though they may have owned a home within the three-year period. They are: displaced homemaker; single parent who owned a home when married; an owner of a home that is not permanently affixed to a permanent foundation in accordance with local code; or, an owner of a home that is not in compliance with applicable codes, and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure. However, previous participation in any City of Salinas Home Buyer assistance program renders the borrower ineligible for MDPAP, even if they no longer have ownership interest in the property. For example, if the borrower previously received a Down Payment Assistance Program (DAP) loan or a Lower Income Home Buyer Program (LIHP) loan, whether as a primary borrower or a co-borrower, they are not eligible for MDPAP.

Note: The First Time Home Buyer, MDPAP Home Buyer offered by the City of Salinas, are considered a one-time opportunity (maximum award per applicant one MDPAP loan), regardless of the borrower's role in the transaction.

4. Non- Occupying Co-Borrowers

Non-occupying co-borrowers or co-owners are not permitted under the First Time Home- Buyer Program (MDPAP). All borrowers listed on the loan and title must intend to occupy the property as their primary residence.

5. Home Purchase Loan

The borrower must be prequalified for a home purchase mortgage loan through a participating lender. The base loan amount must reflect the maximum loan for which the borrower qualifies, based on the lender's underwriting criteria.

6. Buyer's Contribution

Household shall have sufficient assets to provide a minimum down payment equal to 3% of the purchase price.

7. Home Buyer's Education Class

Taking an 8-hour Home Buyer Education class early in the homebuying process is required. All borrower(s) are required to complete a HUD-approved Home Buyer education course and include a certificate of completion with their MDPAP closing application package. The certificate of completion included in the MDPAP closing application package must be dated within six months of proposed escrow closing date, but no more than a year old at the time of submission.

The Home Buyer education curriculum must cover the following topics:

- Preparing for homeownership
- Available financing and credit analysis
- Loan closing and Home Buyer responsibilities
- Home maintenance and loan servicing

Note: The City does not offer these courses directly. However, they are available through various local organizations. A recommended provider is the Eden Council for Hope & Opportunity (ECHO). For class schedules and registration information contact (510) 628-6124, hbe@echofairhousing.org, or visit [Home Buyer Education - Eden Council for Hope and Opportunity](#).

8. Other Requirements

Household shall reside within the City Salinas limits or at least one member of the household shall be employed in Salinas for a period of not less than two years prior to application submittal. Migrant workers shall be deemed to meet this requirement if they reside or are employed in Salinas for a minimum of eight (8) months out of the year for a period of not less than three years prior to acquisition of property. Residence can be validated through a rental agreement, utility bills, employment verification such as paystubs.

C. APPLICATION PROCESS

1. Applicant(s) complete the required 8-hour Home Buyer education class and provide a certificate of completion. The certificate must be dated within six months of closing, but no more than a year old at the time of submission.
2. Mortgage Down Payment Assistance Program (MDPAP) applicant(s) to receive pre-approval for a First Mortgage from a participating lender or mortgage broker prior to applying.
3. The lender or mortgage broker assists the MDPAP applicant in determining the amount of City funds they are eligible for and the price range of homes they may purchase.
4. A completed initial application packet (Document Checklist in the Eligibility Worksheet for required documents) is submitted to the City by the lender or mortgage broker. MDPAP applications are processed on a first-come, first-served basis. An Incomplete application packet is returned to the submitting lender or mortgage broker. The City will timestamp the received MDPAP application, once deemed complete by city staff.
5. The property intended for purchase must pass property inspection by City staff. The inspection will observe lead-based paint hazards, building, health, and safety code deficiencies.
6. Approval of the first mortgage lender does not guarantee eligibility for the City's MDPAP loan. The City will conduct an extensive review of all necessary documentation to determine eligibility. Both the applicant and the lender or mortgage broker must verify that the minimum eligibility requirements are met. Failure to meet these requirements can result in the loan application being declined.
7. The City's loan approval process may take up to 30 days. The City will provide a pre-approval letter if deemed eligible. Applicants will be given six months to close escrow from date of pre-approval letter. Should additional time be required, applicant may submit an extension request in writing to Housing Planning Manager.
8. Once the applicant(s) signs a Purchase Contract and opens escrow, the closing date is defined. At this time, the Closing Application will be required to approve the City loan.
9. After approval of Closing Application, City funds and loan documents will be deposited

into escrow prior to closing.

10. After close of escrow, title company will record required documents and provide original copies to the City.

D. PROPERTY ELIGIBILITY

To qualify for the Mortgage Down Payment Assistance Program (MDPAP), the property must meet the following criteria:

1. Owner-Occupancy

The home must be the applicant's principal place of residence.

2. Property Type

The Property must be a single-family residence, condominium, or manufactured housing within an owner-occupied park. Properties with mother-in-law units, guest quarters, or any structures intended for rental use are not eligible.

- a. Any attached room that cannot be accessed from inside the home is considered a separate unit and disqualifies the property.
- b. Home Buyer s may purchase homes within newly constructed subdivisions; however, First Time Home Buyer, Mortgage Down Payment Assistance funding may not be authorized for any residence that has not received "Final Inspection and Certificate of Occupancy".
- c. All properties acquired under this Program must be owner-occupied, vacant, or occupied by the program participant prior to making an initial purchase offer. Properties that are currently being rented to a private household may not be purchased as it will cause renters to be displaced.
- d. Additionally, all properties acquired under this Program must be appropriate in size for the number of household members planning to occupy the property as established by the 2021 International Property Maintenance Code.

3. Location

The property must be located within the City of Salinas limits

4. Inspection Requirements

The property to be acquired must meet the Section 8 Housing Quality Standards (HQS) at time of initial occupancy by the First Time Home Buyer. The property must be inspected by a licensed and certificated inspector. This requirement may incur an additional cost and can be satisfied by:

- An FHA appraisal and inspection
- A Fannie Mae appraisal and inspection
- City-approved inspection

For homes built before 1978, the appraiser report must include a statement regarding "chipping or peeling paint" The appraiser must clearly state on an addendum whether there "is" or "is not" chipping or peeling paint on the interior or exterior.

If “chipping or peeling paint” is noted, the issue must be corrected before loan approval.

5. Lead-Based Paint Disclosure

Buyers of homes built before to 1978 must receive a copy of the *EPA’s Protect Your Family From Lead in Your Home* guide, available at: <https://www.epa.gov/node/5197>

On September 15, 2000, the United States Department of Housing and Urban Development Lead-Base Regulations took effect. The new lead-based paint regulations require any deteriorated paint that is found during a property visual assessment to be treated using “standard treatments” (repair, safe paint removal, and or repainting) before federal funds are dispersed. EPA certified workers/supervisors must complete this treatment. Additionally, after the paint treatment, the property must pass a clearance test by a certified clearance technician to ensure that the unit is safe for occupancy.

Participants in the City’s FTHB program who submit a purchase contract to the City for the purchase of a house built prior to 1978 must complete a visual assessment for deteriorated paint on the subject property. Although the City may perform a Housing Quality Standard Inspection which includes a visual assessment of the paint, the City recommends that prospective Home Buyer acquire the services of a professional home inspector for a thorough home inspection including a visual assessment of the paint.

Prior to entering into the purchase agreement, the buyer or buyer’s agent shall include contingencies in the contract for lead-based paint. This will give the buyer the option to void the contract based on the results to the lead-based paint assessment/evaluation.

E. ELIGIBLE COSTS

MDPAP funding may be used for mortgage down payment assistance, including non-recurring closing cost, up to \$125,000 or 17% of the purchase price, whichever is less. Dependent upon the borrower’s need and availability of funding. Ineligible costs include the borrower’s outstanding debts, liens or judgements.

F. UNDERWRITING REQUIREMENTS

1. Loan Amounts and Use of Funds

- Up to \$125,000 or 17% of purchase price, whichever is less is available for mortgage assistance and non-recurring loan closing costs.
- Assistance is calculated as the difference between the purchase price (plus eligible closing cost) and the sum of the maximum first mortgage loan and buyer’s contribution, if any.
- MDPAP funds cannot be used to pay off any portion of a borrower’s consumer debt, liens or judgements.

2. Debt-to-Income (D/I) Ratios

- The standard maximum front-end (housing) ratio is 35%. Housing ratio is the percentage of the gross monthly income that goes toward housing expenses including principal, interest, taxes, Homeowners Association fees, and insurance.
- The standard maximum back-end (total debt) ratio is 43%. Total debt is defined as all debt the buyer has, inclusive of the debt necessary to consummate the purchase

of the home. For illustrative purpose additional debt such as vehicle loans and other reoccurring payments would be included as total debt.

- Two exceptions allow the front-end ratio to exceed 35%, but not more than 38%, if either of the following conditions are met:
 - The borrower has demonstrated, for at least 12 consecutive months, the ability to pay housing costs equal to or greater than the anticipated new housing cost.
 - The borrower's new monthly housing expense will not increase more than 5% over their current housing expense.

3. Primary Loan Requirements

The borrower must qualify for and obtain a first mortgage loan for the maximum amount they are eligible for. MDPAP ratios are based on the primary lender's standards, with the following guidelines:

The front-end (housing) ratio may not exceed 35% unless an exception applies; the back-end (total debt) ratio may not exceed 43%. Upon City discretion and senior lender approval exceptions may be granted to exceed the back-end ratio. The amount of the City's MDPAP assistance may not exceed the amount of the primary mortgage.

4. Creditworthiness Requirements

Borrowers must demonstrate the ability to responsibly manage debt. At the time the MDPAP package is submitted:

- No past due or collection accounts may be present
- No unpaid liens or judgments may exist
- Any bankruptcy must have been discharged at least three years prior to application.

5. Loan Type Restrictions

- Only fixed-rate mortgages with equal monthly payments over the full term are allowed. A Qualified Mortgage, which can include government backed loans guaranteed or insured by the Department of Housing and Urban Development (HUD)/ Federal Housing Administration (FHA), the U.S. Department of Agriculture (USDA), and the Department of Veterans Affairs (VA).
- The following loan types are NOT permitted:
 - Adjustable-rate mortgages (ARMs)
 - Graduated payment mortgages (GPMs)
 - Negative amortization loans
 - Ballon payments
 - Deferred interest loans

6. Loan Documentation and Terms

- Only full documentation loans are eligible; must be FHA or Fannie Mae approved

- Sub-prime loans are not allowed
- Temporary buy-down are not permitted
- A permanent loan interest-rate buy-down is allowed, if the cost does not exceed 1% of the loan amount excluding third party fees.

7. Cash Out of Escrow

Borrowers may only receive cash back from escrow equal to any funds they personally deposited and that are not needed for any lender-required minimum down payment.

8. Title Insurance Requirement

An ALTA Lender's Policy must be obtained for the full amount of the MDPAP loan at close of escrow.

9. Insurance Requirements

- Borrowers must maintain hazard insurance (and flood insurance, if applicable) for at least the replacement value of the home improvements.
- The City of Salinas must be named as additional loss payee on the hazard insurance policy.

Loss Payee Clause:

City of Salinas
Community Development Department
200 Lincoln Ave.
Salinas, California 93901
Loan #: XXXX

G. PRIMARY MORTGAGE (FIRST LOAN) REQUIREMENTS

1. Loan Term

The primary mortgage must have a minimum term of 30 years.

2. Interest Rate

The loan must carry a market-rate or below-market interest rate.

3. Loan Type

Only fixed-rate mortgages with consistent monthly payments over the life of the loan are permitted. Adjustable-rate mortgages (ARM's) and graduated payment mortgages (GPM's) are not allowed.

4. Loan Structure

Loans must be fully documented and conform to FHA or Fannie Mae standards. Sub-prime loans are not permitted. The following features are also prohibited:

- Temporary buy-down
- Negative amortization
- Principal increases

- Balloon payments
- Deferred interest provisions

A permanent interest rate buy-down is permitted, provided the cost does not exceed 1% of the loan amount excluding third party fees.

5. Impound Account

Primary lender must establish and maintain an impound account for property taxes, assessments, and insurance payments for the life of the mortgage.

H. LOAN-TO-VALUE LIMITS

The combined loan-to-value ratio for a MDPAP loan, including all other secured debt on the property, must not exceed 100% of the sales price.

I. MDPAP LOAN TERMS

1. Loan Security and Position

The MDPAP loan will be secured by a Promissory Note and Deed of Trust for up to \$125,000 and will be subordinate only to the primary mortgage lender (i.e., second lien position).

2. Loan Structure and Forgiveness

The MDPAP loan is a 30-Year Deferred Payment Loan (DPL). In the event the purchaser remains in the property for the 30-year loan term, all accrued interest will be forgiven, and the loan repayment will be based on the principal amount of the loan only. The principal balance plus accrued interest becomes due in full upon:

- Sale, transfer, or conveyance of the property or title
- Default of the loan
- Ceases to be owner-occupied prior to the expiration of the 30-year loan term
- Cash-Out refinancing of the primary mortgage. Cash-out refinancing of the MDPAP loan is NOT permitted.

Transfers to a joint tenant may be allowed without repayments, subject to restrictions. If the primary mortgage is refinanced and includes “cash out”, the MDPAP loan must be repaid in full.

3. Repayment Terms

- No monthly payments required
- Three percent (3%) simple interest. Accrued Interest is forgivable after 30-year period, if the property remains occupied by the borrower for the duration of the loan term.
- No prepayment penalties
- No loan fees
- MDPAP loans are not assumable.

4. Refinance and Subordinations

Refinancing shall be allowed where the borrower will repay, in full, the principal and interest on

the First Time Home Buyer , Mortgage Down Payment Assistance Program loan; or the amount to be refinanced is limited to the principal amount of the first mortgage and reasonable closing costs i.e. escrow costs, points, and other direct loan costs resulting in a reduced house payment (Rate and Term). Refinancing to provide "cash out" or remove or encumber equity from the property shall not be authorized. The new primary loan must be fully amortized and have no balloon payments or call dates.

5. Sale or Transfer During Affordability Period

The property may be sold during the 30-year loan term, however, if the owner sells, transfers title or stops using the property as their principal residency for any reason during this time, the City of Salinas will cause the MDPAP loan and accrued interest to be due and payable, in accordance with the terms of the MDPAP (PLHA) Promissory Note. This recapture must occur before the owner receives any return from the sale.

The recapture amount is limited to the net proceeds available from the sale or foreclosure.

- a. If the property has appreciated in value, the borrower may retain any net proceeds exceeding the PLHA assistance amount.
- b. Amounts repaid to the City shall be deposited into the City's PLHA account and reused for additional First Time Home Buyer Mortgage Down Payment Assistance consistent with PLHA Regulations and HCD Guidelines. If, at any point prior to full repayment of the PLHA deed, the property is no longer the homeowner's primary residence due to sale, transfer, lease, or any other reason, repayment will be subject to Section 302(c)(6) of the PLHA Guidelines. In such cases, the City of Salinas shall ensure compliance through a recorded deed restriction requiring one of the following actions, unless doing so conflicts with another public funding source or law:
 - i. Repayment of the PLHA loan and any accrued interest to the City's PLHA account, with all repayments reused in accordance with PLHA Eligible Activities;
 - ii. Sale of the home at an affordable housing cost to a qualified Lower- Income or Moderate-Income household;
 - iii. Execution of an equity-sharing agreement between the homeowner and the City, with proceeds reused consistent with PLHA requirements.
- c. If the property has depreciated or is sold under foreclosure, and the net proceeds are insufficient to cover the full PLHA assistance amount, recapture limits to the amount of net proceeds remaining after all senior debts have been paid.

6. Ownership Transfer

If ownership of the property changes during the 30-year affordability period, the entire PLHA grant becomes immediately due and payable to the City of Salinas.

A transfer of ownership includes, but not limited to:

- The sale of the property
- The conveyance of any legal, beneficial or equitable, interest in the property, whether voluntary or involuntary, or by any method
- The death of the borrower during the 30-year affordability period, even if the

property passes to a successor or beneficiary in accordance with state law.

J. MONITORING

The City of Salinas will conduct annual monitoring on all MDPAP loans for a period of thirty (30) years from the date of escrow closing, or until the home is no longer the borrower's principal residence, whichever comes first. Monitoring may include an annual verification letter requiring the borrower to confirm the property remains their primary residence, or other verification methods as determined by the City. As part of the monitoring process, The City of Salinas shall be named as a beneficiary on the hazard and flood insurance policies and shall be notified of modifications or cancellations of insurance coverage. Evidence of property tax payments will be required. Lender shall provide City with a recorded Request for Notice of Default on mortgages or taxes. Borrowers are required to cooperate fully with the City's monitoring procedures. Failure or refusal to comply will be considered a material breach of the loan agreement between the borrower and the City.

K. APPEALS

Any applicant or other person whose interests are adversely affected by any determination or requirement of City staff regarding the requirements of this Program may appeal to the City Manager or designated delegate of the City of Salinas. The appeal shall set forth specifically wherein the action fails to conform to the provisions of this Program. Such appeal shall be filed in the office of the City Clerk. The City Manager or designated delegate may reverse or modify any determination if he/she makes the finding that the action under appeal does not conform to the provisions of the Program.

L. AMENDMENTS TO PROGRAM RULES

The Salinas City Manager, or designated representative(s), may amend program requirements as needed to meet program goals and objectives. All amendments must remain consistent with the overarching Program guidelines.

M. LENDER OR MORTGAGE BROKER PARTICIPATION AND LOAN PROCESSING GUIDELINES

1. Letter of Participation

The lender or mortgage broker must submit an original signed Letter of Participation to the City of Salinas, confirming their willingness to comply with all program rules as outlined in the letter.

2. Prequalification

The lender or mortgage broker is responsible for prequalifying the borrower for a mortgage loan to purchase an eligible home.

3. Cash Requirements Determination

The lender or mortgage broker must determine the borrower's required cash contribution, beyond the lender's loan amount, needed to complete the home purchase.

4. Eligibility Worksheet Completion

Using the City-provided *Home Buyer Assistance Program Eligibility Worksheet*, the lender or mortgage broker must verify:

- The borrower's income is eligible for the MDPAP loan;
- The eligibility of the property and sales price; and
- The estimated amount of the MDPAP loan.

5. Certification of Eligibility

An authorized representative of the lender or mortgage broker must sign the *Certification of Eligibility*, confirming both the borrower's and the property's eligibility.

6. Submission of Initial Application Documents

The lender or mortgage broker must submit the initial application and required documents to the City of Salinas.

Submit in person or mail:

City of Salinas
Housing Division, Community Development Department
Attention: Housing Planning Manager
65 W Alisal Street, 2nd Floor
Salinas, California 93901

Submit Electronically:

City of Salinas, Housing Division, housingwebmail@salinas.gov

Electronic applications are allowed, but legal signatures must be provided via DocuSign or another approved, trusted e-signature platform.

The City will review all submitted documents for accuracy and completeness, including the lender's certification of borrower eligibility. Upon approval, the City will provide pre-approval letter to applicant and be given six months to close escrow from date of letter. Should additional time be required, applicant may submit an extension request in writing to Housing Planning Manager.

7. Closing Application and Post-Closing Requirements

Upon receipt of the Purchase Contract and open of escrow applicant must submit closing application and required documentation to the City. After approval of Closing Application, the City will work with Title Company to deposit funds into escrow account designated by the lender. Disbursement occurs upon closing of escrow. The City's loan documents, including the Promissory Note, Deed of Trust with Deed Restriction, and Truth-in-Lending Disclosure Statement) will be sent to escrow along with instructions for execution.

The City will review the estimated settlement statement before loan disbursement to confirm compliance with MDPAP guidelines. After closing:

- All original City loan documents and final settlement statement must be returned directly to the City.
- The City will perform a review of the final settlement statement
- If discrepancies are found, the City will issue a request for return of funds to the escrow company, with copies to the borrower and lender or mortgage broker.

- Upon return of funds, the borrower's MDPAP loan amount will be adjusted accordingly.

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Exhibit A – Program Initial and Closing Applications

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Exhibit B – Sample of Promissory Note

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Exhibit C - Sample of Deed of Trust and Deed Restriction

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Exhibit D – Sample of Truth in Lending Disclosure Statement

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