CITY OF CHULA VISTA

Redevelopment & Housing

NEIGHBORHOOD STABILIZATION FIRST-TIME HOMEBUYER (NS FTHB) PROGRAM *COMPREHENSIVE PROGRAM MANUAL*

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EFFECTIVE June 15, 2009
(Subject to periodic updates)

EQUAL HOUSING OPPORTUNITY

NEIGHBORHOOD STABILIZATION
FIRST-TIME HOMEBUYER PROGRAM MANUAL

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PURPOSE OF THE PROGRAM MANUAL

The purpose of this Program Manual is to describe the program and delineate the role of the City, the applicant/borrower and the lenders. This document contains a description of the City of Chula Vista Neighborhood Stabilization First-Time Homebuyer (NS FTHB) Program requirements, processing procedures and program administration. Loan processing forms are contained in a separate document. The City may revise these guidelines from time to time, terminate and/or place the program on hold at the City's sole discretion.

The City encourages all eligible homebuyers to apply. Participating lenders are expected to be well informed about all the restrictions contained in this manual so that both applicants and sellers are aware of these restrictions before the application is accepted. The City is currently funding the First-Time Homebuyer Program using U.S. Department of Housing and Urban Development (HUD) Neighborhood Stabilization Program (NSP). Lenders are also expected to be informed of The Department of Housing and Urban Development's Technical Guide for Determining Income and Allowances for the HOME Program for calculating annual gross income. The Program Administrator/City will reject those applications where the information submitted indicates that the applicant does not qualify for the program.

GENERAL DEFINITIONS

AFFIDAVIT: A deposition filed in connection with the program made under oath and subject to penalties of perjury.

AFFORDABILITY PERIOD: The use of Chula Vista First-Time Homebuyer Program require that the property remain affordable for a period no less than fifteen (15) years as recorded through the NSP Agreement and Deed of Trust, or at time of sale or transfer, as approved by the City of Chula Vista.

APPLICANT: Any person within the household whom applies for City loan assistance.

APPRAISAL: In compliance with URA at 49 CFR Part 24. All appraisals to determine property value must be made by a certified appraiser, as described in the guidelines and are to be paid for by the applicant/buyer.

ARMS LENGTH TRANSACTION: A transaction in which the buyers and sellers of a product act independently and have no relationship to each other. The concept of an arm's length transaction is to ensure that both parties in the deal are acting in their own self interest and are not subject to any pressure or duress from the other party.

ASSETS: Cash or a non-cash item that can be converted to cash. Assets exclude necessary personal property.

CERTIFIED APPRAISER: Under the requirements of the Neighborhood Stabilization Program all properties purchased must be appraised by a licensed appraiser meeting certain qualifications, as identified in Section II.B.

CITY: The City of Chula Vista Redevelopment & Housing Division of the Development Services Department.

COMMITMENT: A document which is originated by the Program Administrator once a purchase contract has been approved and shall be valid for 60 days.

ELIGIBLE BORROWER: Any person meeting the criteria as set forth in this manual.

ELIGIBLE DWELLING: Real property located within the City of Chula Vista that has been *foreclosed* and is located within designated NSP Target Areas, as identified in Appendix D. The unit must be designed as a residence for one household and must meet property standards and criteria as set forth in this manual with no outstanding civil penalties against the property.

EQUITY: The dollar amount that constitutes the difference between the sales price of the Property and the sum of the following amounts; 1) principal on the First Note and Deed of Trust; 2) principal on the Second Note and Deed of Trust to the City of Chula Vista; 3) all costs of sale, including costs of brokers' commissions, escrow fees, title costs and fees, recording costs, etc.; 4) current year taxes, including all real estate taxes calculated to the date of sale; 5) borrower's down payment not including the loan from the City to Borrower; 6) costs of any capital improvements to the Property, provided such improvements were approved by the City prior to construction and provided that such improvements have been documented to the satisfaction of the City.

EQUITY SHARE: The equity share starts at 0%-100% between the Borrower and the City. The amount of the Borrower's share in the Equity of the Property shall increase by five percent (5%) per year, measured on the anniversary date of the Deed of Trust. Correspondingly, the City's share in the equity of the Property shall decrease by five percent (5%) per year. After year five (5) the Borrower's equity share is accelerated to 50%. In the event that no Equity exists at the time of transfer or sale, the City loan (NSP funds) will still be due and payable. In the event that a negative Equity situation exists, and the full amount of the City loan is not available to be recaptured, the amount of the loan required to be repaid to the City will be set forth in the NSP agreement between the Borrower and the City.

FORECLOSED: A property ''has been foreclosed upon'' at the point that, the title for the property has been transferred from the former homeowner under some type of foreclosure proceeding or transfer in lieu of foreclosure, in accordance with state and local law.

HOME INVESTMENT PARTNERSHIP PROGRAM (HOME): Elements of the City's Neighborhood Stabilization First-Time Homebuyer Program utilize HOME Investment Partnership program regulations. HOME regulations under the Department of Housing and Urban Development (HUD), are codified at 42.U.S.C. Section 12701, et seq., 24 CFR Part 92.

HOMEOWNER INVESTMENT: Homeowner's initial down payment.

HOUSEHOLD: All persons whom will reside in the residence and function as a cohesive unit.

INCOME: The gross amount of all income for all mortgagors and adult household members that is anticipated to be received during the coming twelve (12) months, as defined in The Department of Housing and Urban Development's Technical Guide for Determining Income and Allowances. All income derived from any source, including income from wages (gross pay), overtime, pensions, veteran's compensation, bonuses, public assistance, alimony, net rental income, dividends and interest, etc. must be included.

ISSUER: City of Chula Vista through the Redevelopment & Housing Division.

LENDER: A financial institution, whether broker, retail, or wholesale, licensed to provide mortgage loans in the State of California. The institution must meet all the requirements established by the City in order to participate as a lender in the City program.

LOAN: An extension of credit provided to an Eligible Borrower to finance the purchase of an Eligible Dwelling.

LOW-INCOME: A household with income not greater than 80% of the median income as established by the U.S. Department of Housing and Urban Development, per State of California Health and Safety Code. Every 12-18 months, these figures are updated by the U.S. Department of Housing and Urban Development.

LIQUID ASSETS: The total amount of funds that are in the form of cash or can quickly be converted to cash. These include (1) cash; (2) demand deposits; (3) time and savings deposits; and (4) investments (i.e. most stocks, money market instruments and government bonds) capable of being quickly converted into cash without significant loss, either through their sale or through the scheduled return of principal at the end of a short time remaining to maturity.

MAXIMUM PURCHASE DISCOUNT: All eligible properties utilizing NSP funds must be purchased at the maximum purchase discount from the current market-appraised value of the home, based on likely carrying costs for the owner if the transaction did not occur. All discounts must be of at least 1%.

MODERATE-INCOME: A household with income not greater than 120% of the median income as established by the U.S. Department of Housing and Urban Development. Every 12-18 months, these figures are updated by the U.S. Department of Housing and Urban Development.

NEIGHBORHOOD STABILIZATION FUNDS: Authorized under Title III of Division B of the Housing and Economic Recovery Act of 2008, the Neighborhood Stabilization Program allocates funds toward the acquisition of foreclosed properties to create affordable housing, as regulated by Federal Register Notice 73 FR 58330 and the Department of Housing and Urban Development (HUD).

NET PROCEEDS: Sales price minus loan repayment and closing costs.

OWNERSHIP INTEREST: Any of the following interests in residential property: fee simple interest; joint tenancy; tenancy in common; interest of a tenant-shareholder in a cooperative; life estate; interest held in trust for the Applicant that would constitute a present ownership interest if held by the Applicant. Ownership interest may not exceed 1/12th interest.

PRE-COMMITMENT: A document which is originated by the City of Chula Vista and issued through the Program Administrator based on preliminary review of the application package and lender's certification that the requirements necessary for issuance of a City loan have been met. A pre-commitment of funds will be valid for 60 days. An extension of an additional 30 days may be granted under extenuating circumstances at the sole discretion of the City.

PRINCIPAL RESIDENCE: Residence must be occupied as the primary home of the buyer and be defined as one of the following types of residences: 1) single-family house; 2) condominium unit; 3) town home unit.

PROHIBITED MORTGAGE: Second mortgages and any liens superior to the City First-Time Homebuyer loan, other than the new first Trust Deed.

PROGRAM ADMINISTRATOR: The City of Chula Vista is currently contracted with Community HousingWorks to administer the City's Neighborhood Stabilization First-Time Homebuyer Program, including but not limited to review of all income documentation, eligibility determinations, set-up,

underwriting, and servicing of the City's second loan. The Program Administrator has authority to request any additional required documentation to ensure program compliance.

PROPERTY STANDARDS: Minimum performance standards a property must meet for program eligibility. Standards are established in 24 CFR Part 882 (Housing Quality Standards).

PROPERTY VALUE: The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Property/market value must be identified through an appraisal and provide to the Program Administrator prior to the City's Voluntary Acquisition issuance.

PURCHASE PRICE: Cost of acquiring the residence, excluding usual and reasonable settlement or finance costs, and the value of services performed by mortgagor in completing the acquisition. All properties purchased with NSP funds must be purchased at a discount.

RELATED PERSON: Allied by nature, origin, kinship, marriage, etc.

RESIDENTIAL PROPERTY: Property which is zoned for single-family homes, multi-family apartments, townhouses, and/or condominiums. Interest in residential property may not exceed 1/12th for time share arrangements.

SINGLE-FAMILY RESIDENCE: Housing unit intended and used for occupancy by one household.

VOLUNTARY ACQUISITION: A requirement of Neighborhood Stabilization Program (NSP) funds to provide notification to the seller of their rights as described in compliance with the Housing and Economic Recovery Act Section 2301(D)(1) and more fully described in NSP Regulations.

SECTION I
BORROWER ELIGIBILITY REQUIREMENTS

Both federal and state law sets borrower eligibility requirements. Income guidelines are modified based on federal directives every twelve to eighteen months. The City will notify the Lenders when those changes take place, including the effective date of each change.

In an attempt to assure that all requirements are clear, the First-Time Homebuyer Application and Affidavit are required to be signed by each Applicant and must be included in the Application Package submitted to the Program Administrator, *reference Appendix A*.

A. ELIGIBLE BORROWERS

1. Qualified applicants must be first-time homebuyers. The Applicant may not have held an ownership interest (that exceeds 1/12th) in Residential Property within the past three years. This timeframe includes those 36 months previous to the date the mortgage is executed. In the case of a married couple, both parties must meet this requirement. The buyer, spouse and any other parties who will reside in the property must meet this requirement. The Lender must verify this through his/her examination of the Applicant's federal tax returns for the preceding three years, credit reports, and other relevant documentation. The Applicant(s) cannot have claimed a deduction for mortgage interest or taxes on real property.

2. To demonstrate compliance with this requirement, Applicants must complete and sign the First-time Homebuyer Application and Affidavit and provide copies of their last three (3) years signed federal tax returns (or acceptable alternative exhibits).
   a) The Applicant(s) can provide the signed 1040A, 1040EZ, or 1040 federal income tax forms for the preceding years, including all schedules. These forms shall be submitted to the Lender and forwarded to the City with the completed loan application. The tax returns must be signed and dated in ink by the Applicants.
   b) If the Applicant(s) has/have filed the short form, 1040A or 1040EZ for the last three (3) years, completes and signs the required affidavits, but is unable to produce copies of the signed returns, the City will accept a completed copy of IRS Letter Form 1722 in lieu of actual returns. The Applicant may request this letter, free of charge, from the local IRS Office. The Letter 1722 must include the signature of a representative of the IRS. Letter Form 1722 should include the following information:
      i. Name and social security number
      ii. Type of return filed
      iii. Marital status
      iv. Tax shown on return
      v. Adjusted gross income
      vi. Taxable income
      vii. Self-employment tax
      viii. Number of exemptions
   c) In the event the Applicant(s) was not obligated to file federal income tax returns for any of the preceding three (3) years, it will be necessary for the Lender to obtain a completed and signed Income Tax Affidavit from the Applicant, which is required in place of the above. This document is to be forwarded to the City with the application package.
   d) If neither copies of the required tax returns or the 1722 Form can be obtained, the Lender may be able to help the Applicant establish first-time homebuyer status with copies of utility bills and a signed and notarized statement from the Applicants landlords for the previous three years.
   e) When the Commitment is issued during the period between January 1 and February 15 and the Applicant has not yet filed his/her/their Federal Income Tax Return for the preceding year, the City may rely on an affidavit. The affidavit must affirm that the Applicant is not entitled to claim deductions for taxes or interest on a principal residence for the preceding year. After February 15, a tax return will be required.
3. Any Applicant with the marital status of "divorced" or "separated" must provide legal documentation that specifies:
   a) They no longer have ownership interest in any real property;
   b) Will not be residing mutually; and
   c) If claiming a child under the age of 18 as part of the household, legal custody of at least 50% and claim any related child support and/or income.
4. Upon close of escrow, the buyer must occupy the home as their Principal Residence.
5. Applicant(s) must be a U.S. citizen or eligible immigrants. Legal resident aliens are eligible to apply but must show proof of status.
6. Priority is given to current residents of the City of Chula Vista and households who are employed in businesses within the City of Chula Vista at the time of application.
7. City of Chula Vista employees (except for certain employees of the Redevelopment & Housing Department) are eligible to participate.
8. In accordance with Title 24, Section 570.611 of the Code of Federal Regulations and HOME 24 CFR Part 92.354, no member of the governing body and no official, employee or agent of the local government, nor any other person who exercises policy or decision-making

responsibilities (including members of the loan committee and officers, employees, and agents of the loan committee and similar agencies) in connection with the planning and implementation of the NSP and CDBG Program shall directly or indirectly be eligible for the First-Time Homebuyer Program. Exceptions to this policy can be made only after public disclosure and formal approval by the City council of the City of Chula Vista.

B. INCOME CRITERIA

1. Income must be at or below 120% of the currently published San Diego County median income, adjusted for household size. Income limits have been established by the U.S. Department of Housing and Urban Development (HUD) and are adjusted annually. In accordance with this requirement, applicants may not obtain "stated income" loans. The true income must be a qualifying factor in loan approval.

Household Size	80% Annual Income	120% Annual Income
1 person	$46,250	$62,950
2 people	$52,900	$71,900
3 people	$59,500	$80,900
4 people	$66,100	$89,900
5 people	$71,400	$97,100
6 people	$76,700	$104,300
7 people	$81,950	$111,500
8 people	$87,250	$118,650

Effective March 19, 2009

2. Gross income is calculated by taking the Applicant's anticipated adjusted gross monthly income, at the time of application, and multiplying it by twelve. Adjusted gross income includes the gross amount of all taxable income, before payroll deductions of: wages, salaries, commissions, fees, tips and bonuses, alimony, public assistance, etc. The adjusted gross income also includes the income earned on assets, such as dividends earned on stock, winnings, and interest earned on savings and checking. The adjusted gross income qualification is pursuant to the 24 CFR 92.203(b)(3) for reporting under the IRS Form 1040 series for individual federal annual income tax purposes. Gross income includes the combined taxable adjusted gross income of all mortgagors and all other adult members of the household.
   a) Self-Employed or Seasonal Employees: The formula that the Lender uses to determine the anticipated gross monthly income of self-employed and/or seasonal workers is acceptable provided that all income as described in this manual is included in the calculation.
   b) Co-Borrower/Co-Mortgagor/Household: All household income must be included in determining eligibility for the program. The IRS regulation states "income to be taken into account in determining gross income is income of the mortgagor(s) and any other person who is expected to both live in the residence being financed and to be secondarily liable on the mortgage."
   c) Spouses: Married couples are treated as co-applicants, whether: 1) they are separated; 2) either spouse is applying for the loan; or 3) either spouse plans to be named on title.
   d) Computing Income
      i. *Program Computation vs. Mortgage Underwriter's Computation:* The City loan figure represents ANTICIPATED income, while the Lender's figure represents income AVERAGED over the last few years and the City program requires that

every source of taxable and non-taxable income be listed on the Income Computation Worksheet, however, non-taxable income should be bracketed and not added into the maximum annual family income calculation.

ii. *Income Parameters: See Appendix B* of this manual for examples of sources of income, which must be considered in computing buyer income.

iii. *Military Pay: See Appendix B* of this manual for Military Pay explanations.

iv. *Self-Employed:* Year-to-date profit and loss statement and three prior year's tax returns are required.

v. *Other Income:* Sources of income other than wages must be documented by third party verifications. In cases where the third party fails to respond, acceptable alternative sources of documentation can be determined on a case-by-case basis and should follow standard FNMA income verification guidelines.

vi. *Documentation:* In cases where the Applicant is employed, acceptable sources of documentation used to verify income include a recent pay stub with year-to-date earnings and an employer Verification of Earnings statement (VOE). If the application is taking place during the first four months of the year, a year-to-date total may be insufficient. The Lender must supplement the pay stub information with the prior year W-2 statement and/or tax returns. On some pay stubs, the year-to-date earnings include pay from the last part of the prior year. If this is determined to be the case, request that the employer submit a signed statement of verification of exact year-to-date income. Miscalculation can result in the determination of excess income and disqualification of the buyer.

vii. *Income Verification:* The Lender bears the burden of proving that the Buyer's income is within the program guidelines. The computation should be clear, complete, and documented by third party verifications, to the greatest extent possible.

viii. *No Income:* Adult members, 18 years and older, of the household who have no income must complete and sign the Declaration of No Income form.

ix. *Part or Full Time Students:* Adult members (18 and older) enrolled in a vocational, community college or university must provide evidence of current enrollment status and a copy of their Financial Aid Award letter. *See Appendix B* of this manual for student income explanations.

x. *Dependants:* Any persons claimed on federal tax returns within the past three years and not identified as a member of the applying household must provide a Declaration of Household size and affidavit that those person(s) will not be residing as a member of the household.

C. HOUSEHOLD ELIGIBILITY REQUIREMENTS

1. Households shall have sufficient income and credit-worthiness to qualify for primary financing from a participating lender.
2. Households will be required to provide a down payment or cash investment. A minimum contribution of 3% of the total purchase price of the property will be required from the borrower's personal funds and must be used for down payment, closing costs, or cash reserves. The maximum amount of the contribution used towards cash reserves must equal the minimum reserves required by the Lender of the first mortgage. Cash gifts may be given towards down payment assistance in addition to the 3% owner contribution, but must be identified as part of the subsidy layering analysis, *reference Appendix C*.
3. Maximum liquid assets after NS FTHB assistance may not exceed $25,000 (not including retirement accounts, i.e. IRA's, 401(k), etc).

D. ELIGIBLE PROPERTIES

1. Properties must be located within the City of Chula Vista limits within specified NSP Target Areas, *as identified in Appendix D*.
2. Properties must be foreclosed upon single-family homes, including detached homes, condominiums or townhouses. Manufactured/mobile home, duplexes, triplexes or fourplexes do not qualify as eligible properties.
3. Preference should be given to properties that are less than 45 years old. Any property greater than 45 years of age will require additional environmental review in compliance with 24 CFR Part 58 and the National Historic Preservation Act (16 U.S.C. 470 et. seq.), potentially causing delay in the escrow process.
4. Properties cannot have any outstanding civil penalties with the City of Chula Vista.
5. All properties purchased with NSP funds must be purchased at a maximum purchase discount of at least 1% below the appraised property value, as determined by a certified appraiser, reference Sections I.E and II.D.
6. All final purchase offers must be accompanied by a "Voluntary Acquisition" form issued by the City, as *sampled in Appendix E*.

E. MAXIMUM PURCHASE PRICE

The maximum purchase price cannot exceed 95 percent (95%) ($451,250 effective 3/09) of the median purchase price for the area, as determined by HUD.

All properties purchased using NSP funds must be purchased at a "maximum purchase discount". This discount must take into consideration the "likely" carrying costs for the owner to hold on to the property if the transaction was not to occur. Carrying costs should include, but are not limited to: taxes, insurance, maintenance, marketing, overhead, and interest. The discount must be a minimum of 1% of the appraised property value and calculated in compliance with the City's methodology, *see Appendix F*. The analysis must be submitted at time of "Request for Issuance of the Voluntary Acquisition" form and the certified appraisal.

F. LOAN PROCEDURES AND TERMS

1. The maximum loan amount shall not exceed $40,000 for households at or below 120% AMI and $70,000 for households at or below 80% AMI, and shall not exceed 40% of the purchase price, subject to the condition of the property, qualifying factors and staff assessment. Up to 2% of the purchase price may be funded by the City loan toward payment of closing costs. The City loan may be used toward the required down payment, reasonable closing costs, principal write-down assistance, an interest rate buy-down or any combination thereof, but serves as gap financing and must be determined through a subsidy layering analysis, *see Appendix C.*
2. The maximum CLTV (combined loan to value) of the City and the new 1st Trust Deed loans shall not exceed the maximum approved CLTV required by the 1st mortgage lender.
3. No non-occupant co-borrowers shall be allowed.
4. Total housing ratio (PITI) cannot exceed 36% of Applicant(s) gross monthly income. The City may make exceptions if less than twenty percent payment shock is involved.
5. Total debt-to-income ratio may not exceed 45% or 41% if obtaining an FHA loan.
6. No prepayment penalty allowed.
7. Maximum fees to the Applicant of 1.25% origination, discount points for below par pricing only, and $350 processing are acceptable for the purchase transaction. No other Broker or Admin type fees allowed. Other third party fees that are reasonable and customary are allowable.

8. Any fees and/or commissions shall be customary and reasonable.
9. The terms of the City's second trust deed are designed to encourage long-term residency in the program-assisted home. No interest is charged on the loan (except in the case of default). Instead, the program is based on an equity share. The amount of equity due to the City is based upon the number of years after the date of execution of the City's loan. The City's portion begins at 100% of the equity and decreases by 5% each year, with a decrease to 50% after the first five (5) years of occupancy. After 15 full years of owner occupancy, there is no equity share and only the principal remains due and payable*. See shared equity example in Appendix G.*
10. The loan shall become due and payable at the time of the property's transfer of title, refinance (except as earlier defined), rental or sale.
11. The loan shall also become due and payable when the acceleration clause has been triggered. The acceleration clause will be in effect when the property is no longer the principal place of residency of the eligible homebuyer, or upon discovery of willful misrepresentation or fraud in connection with the program. Rental of the property is prohibited and will cause the loan to be accelerated.
12. Default of the primary loan will trigger a default on the City's soft second loan.
13. Second and subsequent mortgages to the new First Trust Deed, except for this City Loan, are not permitted.
14. The loan is not assumable.
15. A Promissory Note and Deed of Trust will secure the loan.
16. The City Loan can be used with conventional, FHA, VA, and other loans issued be a qualified lender, except adjustable rate mortgages with less than five years fixed, negative amortization and stated income mortgages.
17. The Program Administrator shall underwrite the City's loan. The City of Chula Vista Redevelopment & Housing Department does not underwrite the loans, but shall review at their discretion for NS First-Time Homebuyer Program requirements. Lenders will process the underlying mortgages using standard procedures, with adjustments to those procedures to conform to the City loan guidelines.

SECTION II
PROGRAM ADMINISTRATION AND PROCEDURES

Eligible Applicants will apply for the City of Chula Vista's First-Time Homebuyer Program in conjunction with normal mortgage loan application procedures. The City loan application must be filed with an application for a mortgage to a Participating Lender.

The City loan processing procedures are designed to coincide with the standard mortgage loan processing and underwriting criteria that are in place at most mortgage lending institutions, although there are some City restrictions that must supercede normal processing and underwriting criteria. Recognizing that there are procedural variations among participating lenders, the steps outlined here are meant to serve as sequential guidelines, *reference Appendix H* for a summary of the process and summary sheet to be included in each packet. *Please note, however, that all elements of the processing sequence must be completed at some point.*

A. LENDER ELIGIBILITY

Lender is defined as a financial institution, whether broker, retail, or wholesale, licensed to make first mortgage loans in the State of California. All Lenders who wish to participate in the City program must be enrolled as a participating lender. To enroll and maintain active status a lender must:

1. Attend a lender certification course by the City's Program Administrator.
2. Agree to adhere to Quality Commitment Policy. *Please refer to Appendix I.*
3. Designate a contact person for the program.
4. Pay a lender certification fee of $50 *(as of 9/22/08)*.
5. All lending personnel involved with the City program must attend City training sessions and study and apply procedures listed in the Lender Training Handbook.
6. Provide the First-Time Homebuyer Program Manual and Lender Training Handbook to all loan processors.
7. Cooperate with City Housing staff in providing the best possible service to the Applicants.

The Lender will be required to submit certification that no material misstatements appear in the application and program documents. If the Lender becomes aware of such, whether negligently or willfully made, he/she must notify the City immediately. The Lender should also be aware and inform the Applicant of penalties provided by California law if a person makes a false statement or misrepresentation for the sole purpose of participating in this program. Housing staff will take all lawful actions to correct or mitigate the problem.

B. APPRAISER ELIGIBILITY AND REQUIREMENTS

For purposes of the NS FTHB all appraisals for the City's determination of market value and establishing the purchase discount must be conducted by appraisers certified by the City's Program Administrator, meeting Uniform Relocation Act (URA) appraisal requirements of 49 CFR Part 24 and other program requirements, and shall be paid for by the buyer. Should a lender desire to use an appraiser not certified for NS FTHB participation, they must accept the City's appraisal in addition to their appraisal and/or provide the Program Administrator with the appraiser's qualifications in adherence with program requirements. Please note that choosing the latter may cause a delay in the escrow process.

Appraisals must adhere to and include the following requirements, *see Appendix J* for a checklist:

1. Appraisal:
   a) Meet the definition of an appraisal found at 49 CFR 24.2(a)(3) to estimate the fair market value of the property, as of the specified date of valuation, for the proposed acquisition of the property rights specified (i.e., fee simple, etc.) for a Federally assisted project.
   b) Must be conducted within 60 days prior to the final purchase offer made on the property.
   c) Afford the property owner or the owner's designated representative the opportunity to accompany the appraiser on the inspection of the property.
   d) Perform an inspection of the subject property, to include:
      i. Description of the neighborhood;
      ii. The extent of the subject property inspection, including interior and exterior areas; and
      iii. The level of detail of the description of the physical characteristics of the property being appraised, as described below.
2. Property details, at a minimum:
   a) An adequate description of the physical characteristics of the property being appraised (including adequate photographs, location maps, and a sketch of the property with the location and dimensions of any improvements), including items identified as personal property;
      i. A statement of the known and observed encumbrances, if any;

ii. Title information;
iii. Location;
iv. Zoning, present use;
v. An analysis of highest and best use; and
vi. At least a 5 year sales history of the property.

3. Property valuation, at a minimum:
   a) The appraisal must meet all relevant and reliable approaches to value. If the appraiser uses more than one approach, there shall be an analysis and reconciliation of approaches to value used that is sufficient to support the appraiser's opinion of value.
   b) A description of comparable sales (including adequate photographs and location maps), including a description of all relevant physical, legal, and economic factors such as parties to the transaction, source and method of financing, and verification by a party involved in the transaction.
   c) A statement of the value of the real property to be acquired including a definition of fair market value in compliance with State law and a statement addressing the unique, unusual and variable appraisal performance requirements of the appraisal.
   d) The appraiser shall disregard any decrease or increase in the fair market value of the real property caused by the project for which the property is to be acquired or by the likelihood that the property would be acquired for the project, other than that due to physical deterioration within the reasonable control of the owner.
   e) If the owner of a real property improvement is permitted to retain it for removal from the project site, the amount to be offered for the interest in the real property to be acquired shall be not less than the difference between the amount determined to be just compensation for the owner's entire interest in the real property and the salvage value (defined at §24.2(a)(24)) of the retained improvement.
   f) The effective date of valuation, date of appraisal, signature, and certification of the appraiser, *see Appendix J*.
4. Report his or her analysis, opinions, and conclusions in the appraisal report.

All individual appraisers who wish to participate in the City program must be enrolled as a participating appraiser and a Federal Housing Administration (FHA) certified appraiser. To enroll and maintain active status, an appraiser must submit the following to the City's Program Administrator:

1. A letter indicating interest in serving as a certified appraiser for the NS FTHB Program and certifying that they will adhere to appraisal requirements as identified in Section II.B.
2. A summary of their experience appraising single-family and/or foreclosed properties, education, and training.
3. Proof of FHA certification/licensing, including State license or certification in accordance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA).
4. Proof of insurance (including liability, errors and omissions, and worker's compensation) and City of Chula Vista business license.
5. Fee per appraisal.

The City's Program Administrator will accept and process qualifications and maintain a list of NS FTHB certified appraisers.

C. LOAN ORIGINATION AND PROGRAM APPLICATION

1. Borrower applies to the Lender for a mortgage. Lender performs standard underwriting procedures to qualify Applicant for a first mortgage, utilizing the City's required underwriting requirements in lieu of certain standard criteria.

2. Lender describes parameters of the City program to Applicant and determines eligibility based on a review of income, prior homeownership and all other factors listed in this manual.
3. Lender obtains three prior year's tax returns from Applicant and prepares to have the Seller Affidavit forwarded with instructions to the seller.
4. Lender gives the Applicant a copy of the City's Neighborhood Stabilization First-Time Homebuyer Application, Affidavit, and Release of Information. This document serves as the formal application to the City and contains the required certifications below:
   a. That the residence will be used as the Principal Residence and that the Applicant must notify the City when the home ceases to be the Principal Residence.
   b. That the Applicant has not had an ownership interest in a Property during the three year period prior to the date of application.
   c. That this is a new mortgage loan*.
   d. That the loan applied for does not constitute a prohibited mortgage**.
   e. That the Applicant was not forced to apply through a particular Lender.
   f. That the Applicant's gross annual household income does not exceed permitted income limits.
   g. That no interest, commission or other fee is being paid to a related person.
   h. Acknowledgment that any material misstatement or fraud is made under penalty of perjury.

*New Mortgage Requirements: The Lender and the Applicant, using the Program Affidavits, state that the mortgage being acquired in connection with the loan will not be used to acquire or replace an existing mortgage or land contract.

**Prohibited Mortgages: Any liens superior to the City First-Time Homebuyer Loan, other than the new first Trust Deed, are not allowed under any circumstances.

D. CITY APPLICATION PACKET

Applicant/Lender transmits an application packet to the City's Program Administrator that includes the following City forms and additional documentation as required:

1. Summary Sheet, *see Appendix H*
2. City NS First-Time Homebuyer Application*, *see Appendix A*
3. Authorization for Release of Information Form*, *see Appendix A*
4. Complete copy of Lender's First Mortgage Loan Application
5. Income Computation Worksheet and all supporting documentation*, *see Appendix B*
6. Subsidy Layering Analysis, *see Appendix C*
7. Two most recent 30-day bank statements & income documentation as described in application
8. Three years of Federal Income tax Returns and/or Declaration of No Income Affidavits* for a three-year period
9. Certificate of Completion for First-Time Homebuyer Education Training Course

Once property has been selected:

10. Appraisal and 1004D, *see Appendix J*
11. Request for Issuance of the Voluntary Acquisition Form, *see Appendix E*
12. Calculation of Maximum Purchase Discount, *see Appendix F*
13. Voluntary Acquisition Form & Proof of Delivery**
14. Purchase Contract and all Addendums signed by all parties
15. Program Administrator issued commitment letter
16. Lead-Based Paint Disclosure*

17. Copy of Signed Receipt of Disclosures
18. Seller Affidavit*
19. Copy of Title Report
20. Funding Request and Escrow Information Sheet*
21. Letter of Assignment *(if the Funding Lender is different than the Originating Lender: A copy of the Notice of Transfer signed at closing or a letter on company letterhead with the name, address, phone and fax number of the Funding Lender along with the date the assignment is being made will be sufficient)*
22. Signed and executed copy of the Power of Attorney if applicable

* City Forms are to be completed as high quality copies of the original documents. Updated forms will be provided to participating lenders as they are revised and may be ordered by contacting the City's Program Administrator. *Please note that all documents must be submitted in hard-copy form and are not accepted by facsimile.* All applicants must provide a release to the City, HUD and the Program Administrator, allowing of review of any documents to provide proof of employment and earnings, current occupancy, and other related information, *see Appendix A*.

** All transactions applying for assistance through the City of Chula Vista's NSP program must provide a City issued "Voluntary Acquisition" form with the final purchase offer, as required by the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, *see example in Appendix E*. Only original signatures will be accepted on the Voluntary Acquisition form and proof of delivery (e.g., certified mail, return receipt requested) to the owner of record must be sent to the City's Program Administrator, as more fully described under Section II.F.3.

Mail the APPLICATION PACKAGE to the Program Administrator:

Community HousingWorks
Lending Division
4305 University Avenue, #550
San Diego, CA 92105

Submission of the above mentioned forms/documents to the Program Administrator constitutes completion of the APPLICATION PACKAGE. Technically, the originating broker's role is finished and the funding lender is responsible for submitting the final Close of Escrow Package. However, it is advisable for the broker to discuss with the funding lender their role in submitting the closing package, a failure to meet the Commitment expiration deadline can result in additional work and costs to both the broker and funding lender.

E. CITY PROCESSING

1. Program Administrator accepts and reviews the Application package and makes a determination as to completeness and accuracy. The City will also review the Application and make a final determination to eligibility. Once approved, the City will issue a pre-commitment of funds for a 60 day period. After the pre-commitment period funds will be released back into the NS FTHB Program. One extension may be granted of up to 30 days due to extenuating circumstances and at the discretion of the City.
2. All applications received are subject to the availability of funds. The City has sole discretion to terminate or suspend the program at any time.
3. The City will maintain a cumulative total of loan amounts reserved. When program funds are about to be depleted, the Program Administrator will notify all participating Lenders.
4. A commitment of funds will be issued by the Program Administrator for a 60 day period at receipt of the purchase contract. If the purchase contract falls through, the City will have

sole discretion to release the funds back into the NS FTHB Program or issue an extension of the pre-commitment.

5. Lender will complete the remainder of the standard mortgage application process.
6. Program Administrator/City Package Turn-Around: The Program Administrator shall date-stamp packages and review in order of receipt. Turn around time for reviewing and sending a loan commitment or denial letter to the Lender is 6 business days from the receipt of a ***complete**** package.
7. RUSH: Packages marked "RUSH" or "SUPER RUSH" etc. will not be processed ahead of other pending packages.
8. Incomplete Packages: Incomplete packages may delay the approval and subsequent issuance of the City Commitment Approval Letter.

* Complete packages must include those items listed under Section II.D.

F. PROPERTY SELECTION

1. Once a property has been selected an initial purchase offer can be issued for an estimated discounted purchase price of at least 1% below estimated property value and contingent on a certified licensed third party appraisal and maximum purchase discount calculation, *as described in Appendix F*.
2. An appraisal to establish the property value as determined by a certified state licensed appraiser must be completed and provided to the City, along with the calculated "maximum purchase discount".
3. Prior to the presentation of the final purchase offer, adjusted based on the licensed appraisal, a voluntary acquisition notice shall be given to the owner of record. The City shall provide the acquisition notice directly to the owner of record ensuring that it complies with NSP Program requirements, *reference example "Voluntary Acquisition" notice in Appendix E*. All applicants shall submit a "Request for Issuance of the Voluntary Acquisition", *see Appendix E*. The acquisition notice must be placed on top of a purchase offer that is to be presented to the seller. The acquisition notice will include the following:
    a. The participant has power of eminent domain, but will not acquire the property if negotiations fail to result in an amicable agreement ("Voluntary Acquisition");
    b. An estimate of the property value of the property as determined by a state licensed appraiser and paid for by the Applicant, conducted within 60 days of said purchase offer and acquisition notice;
    c. The offer to purchase is a minimum of 1% discount below the appraised property value;
    d. Seller certifies that the property has not been occupied by a tenant within the last four months (with the exception of the potential buyer) and that no tenant has been forced to move within the last four months. In addition, seller warrants that no rent is being received for the property, and further certifies that no occupants of the property pay rent to reside there;
    e. Since the purchase is voluntary, the seller is not eligible for relocation payments, or other relocation assistance; and,
    f. If an acquisition notice is not provided to the seller containing the above disclosures prior to submitting the purchase offer, a provision that the seller may withdraw from the agreement after this information is provided. All purchase offers shall be reviewed by the City and/or Program Administrator prior to submittal to the seller to ensure the appropriate contingency clauses are contained in the document regarding inspections, tenant-occupancy, loan approvals, and other necessary items to comply with these guidelines. Only after a participant has an accepted purchase contract

shall the commitment letter be issued by the Program Administrator and an allocation of funds be reserved for the City second loan.

G. PROPERTY INSPECTION

Prior to the close of escrow, the Lender must request that an Independent Certified Risk Assessor (or certified equivalent) conduct a property inspection and Risk Assessment. The written report of findings must be provided to the City's Program Administrator. The Program Administrator will review the Risk Assessment and ensure the subject property meets Housing Quality Standards (HQS) and HUD lead-based paint regulations*. The Lender will be notified of work needed to cure defects, if any. The City loan may be funded upon the completion of the repairs and clearance from the Risk Assessor and the City Program Administrator. Properties must meet minimum health and safety standards upon occupancy, as inspected by the Program Administrator. *See Appendix K for detailed Housing Quality Standards (HQS) and Appendix L for the HQS Inspection Form.*

Up to $24,999 in NSP funds can be used for rehabilitation of the property above the required "gap" financing but within the qualifying threshold. Applications for the Neighborhood Stabilization Rehabilitation Program must be submitted and approved prior to the close of escrow, with a 90 day escrow hold on those funds, in compliance with the Neighborhood Stabilization Rehabilitation Standards, *see Appendix M*. If the property cannot be brought into compliance with local building and health and safety standards, it shall be ineligible for purchase.

*Effective September 15, 2000, all properties built prior to 1978 must meet new HUD regulations for notification, inspection, reduction/abatement and clearance of lead-based paint hazards under Title X of the Housing and Community Development Act of 1992. If subject property was constructed prior to 1978, the purchase will be subject to an inspection prior to the close of escrow to verify that the residence is in compliance with the current lead-based paint requirements of the NSP Program. The home will be inspected for defective paint surfaces by a qualified inspector, as necessary, to meet program requirements. If defective paint surfaces are found, seller must properly abate the painted surfaces or the home shall be ineligible for purchase. Seller and purchaser will be required to sign a disclosure form prior to the close of escrow.

If a determination is made by the Certified Risk Assessor (or equivalent per HUD protocol), that Lead-Based Paint Hazards are present on the subject property, the City shall notify Buyer, Lender and Escrow within 15 days of such determination and provide those parties with a copy of any and all Risk Assessment Report(s). *Reduction or abatement of all identified Lead-Based Paint Hazards must be corrected prior to close of escrow and prior to wire transfer of the City's funds.*

VA or FHA-insured First Mortgages: In cases where the buyer obtains said mortgage, the City may substitute the VA or FHA property inspection for the third party property inspection, however the Program Administrator must still conduct the HQS inspection as described previously. *The FHA inspection does not, however, satisfy HUD lead-based paint regulations unless no lead-based paint hazards are found and are fully noted on the FHA inspection report.*

H. LOAN CLOSING

1. Program Administrator partially completes the Closing Affidavit.

2. Lender and City forward loan documents to selected escrow officer with instruction for closing the loans. The buyer signs the City loan documents. The escrow officer forwards the copies of the executed Loan Documents back to the Program Administrator.
3. Before the expiration of the 60-day commitment and prior to recordation the Lender and Escrow send the Close of Escrow documents to the Program Administrator. These documents include:
   a. Signed copy of City Deed of Trust and Homeowner's Regulatory Agreement for the NSP program participation *(Escrow sends original Deed of Trust and Agreement to County Recorder's Office),* original Promissory Note, forgivable Note (if applicable), Truth in Lending Statement, Escrow Instructions and all amendments and copy of estimated HUD 1 Statement, *see Appendices N-P for samples of the Regulatory Agreement, Deed, and Note*.
   b. City Loan Disclosure, *see Appendix Q*.
   c. Closing Affidavit signed by the Applicant(s) at the time of the loan closing.
   d. All outstanding loan conditions listed on the Commitment letter and/or Instructions to Escrow.
   e. City reviews Closing Package and checks the file to ensure all necessary documents have been submitted.
4. Any property qualifying for a
5. City loan documents are only good during the month that they are drawn and any delays may require the preparation of all City final loan documents with a corrected date. There will be no funding into the month.
6. Program Administrator will transfer funds by wire as instructed on the Funding Request and Escrow Information Sheet located in the forms section of this Manual. Any secondary wires that are issued due to errors on behalf of the Lender, Escrow or Title Company will require an additional $35.00 re-wire fee and shall be paid by the party at fault.

Lenders must adhere to the time frame for the City and the Program Administrator processing period, promptly notifying the Program Administrator in writing of any loan cancellations and/or request for reservation or commitment extensions.

If the Lender assigns responsibility of execution of City loan forms to Escrow or Title Office personnel, the Lender assumes full responsibility for training the personnel to comply with the requirements of this Manual.

I. CANCELLATION AND COMMITMENT EXPIRATIONS

1. Cancellations: When a decision is made not to continue with the City application, written notice must be received at the office of the Program Administrator prior to the expiration of the Commitment. The notice must include the reason for the cancellation and the signatures of both the Lender and the Applicant.
2. Expiration of Commitment: Before the Commitment has expired, the Lender must either:
   a. Submit the closing package;
   b. Submit written notice of loan cancellation; or
   c. Request a 30 day extension in writing with explanation of extenuating circumstances.

   Upon expiration of the Commitment, the Lender must do one of the following:
   a) If the loan has not closed, the Lender must submit a request for extension and provide estimate of closing date to the Program Administrator.

b) If 60 days has passed since the Commitment was issued and no extension was requested, the Lender must submit an entirely new Loan Application with current income verification with a letter of explanation for the delay.

c) If the loan was canceled, the Lender submits a cancellation notice as described above.

In all cases, expiration of the Commitment without the required action by the Lender will result in the Lender being placed on "Inactive Status", and the Lender may submit no new City applications until the issue has been resolved. Failure to comply may result in the Lender's removal from the Certified Lender Partner List and program.

SECTION III
CHANGES PRIOR TO CLOSING

Program Administrator issues a loan Commitment based on the Applicant's and Seller's Affidavits and the Lender's certification that the City's Program requirements have been met. The Lender must immediately notify the Program Administrator in writing of any change that could affect the Applicant(s) eligibility for the loan. If a change in the circumstances of the Applicant is such that he/she no longer meets program requirements, the Commitment is automatically revoked.

1. Income: The eligibility of the Applicant for a City loan is based on the Applicant's anticipated taxable income. Program Administrator will issue the Commitment based on the household income as of the date the Commitment is issued. The income verified for the Commitment is valid as long as the loan closes within four months after the financial information was originally submitted and there have been no changes which effect previously reported income. If the loan does not close within three months, all applicable City documentation must be submitted and income must be re-verified.
2. Marital Status: If the Applicant gets married after issuance of the Commitment and prior to closing, the spouse must satisfy the prior homeownership requirements contained in the First-Time Homebuyer Application and Affidavit and the Closing Affidavit. The Lender must also notify the Program Administrator program administrator. Any increase in the household income because of the new spouse must also be considered and may affect re-issuance of a new Commitment.
3. Acquisition Cost: If a change in acquisition cost occurs after the Commitment and prior to closing, the Lender will be required to originate and submit a new version of:
   a. First-Time Homebuyer Loan Application and Affidavit
   b. Amended Escrow Instructions
   c. Seller Affidavit
   d. Voluntary Acquisition Form
   e. All other documentation that may be applicable as listed previously in this Manual
4. Loan Amount: Any changes to the loan amount which occur after the Commitment has been issued and prior to closing must be reported to the City immediately by phone, followed up with a written confirmation along with all applicable documentation listed in this Program Manual. Upon receipt of revised/updated documentation, a revised Commitment may be issued.

APPENDIX A

APPLICATION FOR CHULA VISTA NSP FIRST-TIME HOMEBUYER PROGRAM

CITY OF CHULA VISTA

Dear Applicant:
Thank you for your application to the City of Chula Vista Neighborhood Stabilization Program First-Time Homebuyer (NS FTHB) Program. The successful completion of the application process may result in your receiving a City loan. Therefore, it is very important that you take the time to read and complete each page of this application before the lender sends it to our office. You will be certifying that you understand and meet the Program Guidelines.

(1) APPLICANT #1 / PRIMARY PERSON TO BE ON LOAN/TITLE

_____ _____-_____-_____ _____/_____/_____
First Name Middle Last Name Social Security Number D.O.B.

_____ (_____)_____-_____
Address City State Zip Code Home Phone

_____ _____ (_____)_____-_____
Occupation Employer Name and Address Work Phone

(_____)_____-_____
Cell Phone

(1a)	Marital Status (check one)	Gender (check one)	First-time Buyer (check one)	Citizenship (check one)
	_____ Single	_____ Male	_____ Yes	_____U.S. Citizen
	_____ Divorced	_____ Female	_____ No	_____Permanent Resident Alien
	_____ Married			

(1b) **Race (check one)**

_____ **White**
_____ **Black/African American**
_____ **Asian**
_____ **American Indian/Alaskan Native**
_____ **Native Hawaiian/Other Pacific Islander**
_____ **American Indian/Alaskan Native & White**
_____ **Asian & White**
_____ **Black/African American & White**
_____ **American Indian/Alaskan Native & Black/African American**
_____ **Other:** _____

Hispanic Ethnicity (check one)
_____ **Yes**
_____ **No**

(2) APPLICANT #2

Relationship to Primary Applicant _____

_____ _____-_____-_____ _____/_____/_____
First Name Middle Last Name Social Security Number D.O.B.

_____ (_____)_____-_____
Address City State Zip Code Home Phone

_____ _____ (_____)_____-_____
Occupation Employer Name and Address Work Phone

(_____)_____-_____
Cell Phone

(2a)	Marital Status (check one)	Gender (check one)	First-time Buyer (check one)	Citizenship (check one)
	_____ Single	_____ Male	_____ Yes	_____U.S. Citizen
	_____ Divorced	_____ Female	_____ No	_____Permanent Resident Alien
	_____ Married			

(2b) Race (check one)

_____ White
_____ Black/African American
_____ Asian
_____ American Indian/Alaskan Native
_____ Native Hawaiian/Other Pacific Islander
_____ American Indian/Alaskan Native & White
_____ Asian & White
_____ Black/African American & White
_____ American Indian/Alaskan Native & Black/African American
_____ Other: _____

Hispanic Ethnicity (check one)

_____ Yes
_____ No

(3) HOUSEHOLD INFORMATION: List all household members and those going on title to the property.

Total # of persons in Household _____ Total yearly Household Income $ _____

Name	D.O.B.	M/F	APPLICANT #1
Name	D.O.B.	M/F	Relationship
Name	D.O.B.	M/F	Relationship
Name	D.O.B.	M/F	Relationship
Name	D.O.B.	M/F	Relationship
Name	D.O.B.	M/F	Relationship
Name	D.O.B.	M/F	Relationship
Name	D.O.B.	M/F	Relationship

(4) EMPLOYMENT: **Must provide most current 3 months pay stubs for each job reported below.**
1. List each person in your household who works or expects to be working:

↓ Last Name, First Name			Self-Employed?	Date Employment Starts	Occupation
			☐ Yes ☐ No		
↓Weekly Hours Worked	Hourly Pay Rate	Weekly Tips/Bonus	How often paid?	Employer's Name	
	$	$			
↓ Employer's Address (Street, City, State, Zip)				Employer's Phone #	Employer's Fax #
				( )	( )

↓ Last Name, First Name			Self-Employed?	Date Employment Starts	Occupation
			☐ Yes ☐ No		
↓Weekly Hours Worked	Hourly Pay Rate	Weekly Tips/Bonus	How often paid?	Employer's Name	
	$	$			
↓ Employer's Address (Street, City, State, Zip)				Employer's Phone #	Employer's Fax #
				( )	( )

↓ Last Name, First Name			Self-Employed?	Date Employment Starts	Occupation
			☐ Yes ☐ No		
↓Weekly Hours Worked	Hourly Pay Rate	Weekly Tips/Bonus	How often paid?	Employer's Name	
	$	$			
↓ Employer's Address (Street, City, State, Zip)				Employer's Phone #	Employer's Fax #
				( )	( )

(5) INFORMATION ON OTHER INCOME: **Must provide current proof (most recent 2 statements) of any income reported below. Check YES or NO next to Type of Income. If YES, complete all information for income received or expected to receive by or for *any household member,* including children. If necessary, report any other additional sources on a separate sheet of paper.**

Type of Income	Yes	No	Who Receives Funds	Monthly Amount	Name and Address of Provider
Social Security Benefits – SSA or/and SSI				$	
				$	
				$	
CALWORKS				$	
				$	
				$	
Food Stamps				$	
				$	
State Disability				$	
				$	
Worker's Compensation				$	
				$	
Unemployment Benefits				$	
				$	
Veteran's Benefits				$	
				$	
Military Pay/Allotment				$	
				$	

Pensions or Retirement				$	
				$	
Child Support				$	
				$	
Spousal Support				$	
				$	
Contributions				$	
				$	
Gifts or Loans				$	
				$	
Rental Property Income				$	
				$	
School Financial Aid				$	
				$	
Other Income				$	
				$	
				$	
Any other additional sources of income reported on a separate sheet of paper attached? ❑**Yes** ❑**No**					

(6) ASSET INFORMATION: **Must provide current proof of asset (most recent 2 statements, i.e. bank statement, etc.) listed below. Check YES or NO next to Type of Asset. If YES, complete all information for any asset owned or held by or for *any household member*, including children. If necessary, report any other additional accounts or sources on a separate sheet of paper.**

Type of Asset	Yes	No	Name(s) on Account	Balance/Value	Account/Policy #	Name and Address of Institution
Cash				$		
				$		
Checking Account				$		
				$		
				$		
Savings Account				$		
				$		
				$		
Other Accounts (i.e. 401k, IRAs, stocks, bonds, etc.)				$		
				$		
				$		
				$		
				$		
Any other additional sources of asset reported on a separate sheet of paper attached? ❑**Yes** ❑**No**						

REASONABLE ACCOMMODATION

DO YOU REQUIRE A SPECIFIC ACCOMMODATION TO FULLY UTILIZE OUR AGENCY'S SERVICES?

❑Yes ❑No **If YES, please specify how we may accommodate your disability:**

_____

_____

FIRST-TIME HOMEBUYER PROGRAM AFFIDAVIT

By signing below each applicant makes the following certifications:

I, the undersigned, as part of my application for a shared equity assistance loan through the City of Chula Vista NS First-Time Homebuyer Program (the "Program"), and in connection with a purchase of a single-family home (the "Residence") and an application for a mortgage loan (the "Mortgage Loan") from a lender (the "Lender") of my choosing, do hereby state that I have carefully reviewed this document. I understand and agree with the answers provided in my application, and do furthermore certify the following (please initial each line item):

1. That those people who I expect to initially share occupancy of the Residence with me are listed on Page Two of the Application. _____*(initial)*
2. That my spouse, whether on title or not, is an Applicant for the Program and must sign this Application. _____*(initial)*
3. That I am a first-time homebuyer, who has not had an ownership interest in a residential property within the three years immediately preceding the date of this application, and I do not and will not have an ownership interest in a residential property prior to the date of loan closing. _____*(initial)*
4. That I will submit true and complete copies of my actual signed federal tax returns for the preceding three tax years, or such other written verification that is acceptable to the Program. _____*(initial)*
5. That the Residence will be occupied and used as my principal place of residence within 30 days of the date of Mortgage Loan closing. _____*(initial)*
6. That the Residence will not be used as an investment property, vacation home or recreation home. _____*(initial)*
7. That real estate investment is a risky endeavor, and there is no guarantee of future return on the initial investment. _____*(initial)*
8. That I will notify the Program in writing if the Residence ceases to be my principal residence. _____*(initial)*
9. That I will be contacted by the City and/or the contracted loan servicer on an annual basis to confirm occupancy of the Residence and furthermore, both parties have the right to inspect the property for conformance with loan requirements upon notification. _____*(initial)*
10. That the Mortgage Loan is a first mortgage, not a replacement mortgage. _____*(initial)*
11. That my income does not exceed the program income limits as explained to me by Mortgage Lender. _____*(initial)*
12. That no person related to me has, or is expected to have, an interest as a creditor in the Mortgage Loan being acquired for the Residence. _____*(initial)*
13. That the City Loan is issued on my behalf and may not be transferred.
14. That the loan I am applying is a shared equity loan for the first 15 years, in which the City has a declining interest in any accrued appreciation. _____*(initial)*
15. That the City loan is due and payable upon sale or transfer of the property. _____*(initial)*
16. That after 15 years only the principal is due and payable upon transfer. _____*(initial)*

17. That I may seek financing from any Lender of my choosing, and that I am in no way prohibited from seeking financing from any potential Lender, so long as the Lender executes and complies with the terms of the Lender participation Agreement and Program Guidelines. _____*(initial)*
18. That a requirement of funding through the NS FTHB is to receive both pre- and post-purchase counseling. _____*(initial)*

CERTIFICATION OF THE APPLICANT

I acknowledge and understand that this Affidavit, as completed above, will be relied on for determining my eligibility for a City Loan. I acknowledge that a material misstatement negligently made by me in this Affidavit or in any other connection with my Application for a City Loan will constitute a violation punishable by a fine and possible criminal penalties imposed by law, and will result in the cancellation or revocation of the Loan. I acknowledge that any false statement or misrepresentation or the fraudulent use of any instrument, facility, article, or other valuable thing or service pursuant to my participation in the City Program is punishable by fine.

_____		_____	
BUYER	**DATE**	**BUYER**	**DATE**
_____		_____	
BUYER	**DATE**	**BUYER**	**DATE**

CERTIFICATION OF THE LENDER

Based upon reasonable investigation, the Lender has no reason to believe that the Applicant has made any negligent or fraudulent material misstatements in connection with the application for a City Loan and submits he completed information above as accurate and true to the best of the Lender's knowledge.

Furthermore, the lender has determined that the applicant has been approved for a maximum primary mortgage amount of $_____. Their credit, income and assets have been reviewed and deemed acceptable to the Underwriters of _____ (bank/lender) for the loan terms in compliance with those acceptable to the Neighborhood Stabilization First-Time Homebuyer (NS FTHB) Program. Based on the NS FTHB Guidelines for calculating income, the applicant's anticipated annual income is $_____, and is therefore eligible for a loan of up to *(circle applicable)* $40,000 / $70,000 through the NS FTHB.

_____		_____
ORIGINAL SIGNATURE OF OFFICER APPROVING THE LOAN		**DATE**
_____	(____)_____-_____	_____
PRINT NAME	**PHONE**	**EMAIL**

AUTHORIZATION FOR RELEASE OF INFORMATION

Each household member 18 years or older must read and sign this Authorization Form for Release of Information.

CITY OF CHULA VISTA

I, _____ (legal name), do hereby authorize any agencies, offices, groups organizations or business firms to release to COMMUNITY HOUSINGWORKS (CHW) and the City of Chula Vista any information or materials which are deemed necessary to complete and verify my application for participation and/or to maintain my continued assistance under the Neighborhood Stabilization Program (NSP) First-Time Homebuyer Program. The information needed may include verification or inquiries regarding my identity, household members, employment and income, assets, allowances or preferences I have claimed, and residency. These organizations are to include, but are not limited to: financial institutions; Employment Security Commission; educational institutions; past or present employers; Social Security Administration; welfare and food stamps agencies; Veteran's Administration, court clerks; utility companies; Workmen's Compensation Payers; public and private retirement systems; law enforcement agencies; medical facilities and credit providers.

I understand that the Department of Housing and Urban Development (HUD), CHW, and/or the City of Chula Vista may utilize third parties to verify information and other computer matching programs in order to verify the information supplied on my application. It is understood and agreed that this authorization or the information obtained with its use may be given to and used by HUD and/or CHW in the administration and enforcement of program rules and regulations and that HUD and/or CHW may in the course of its duties obtain such information from other Federal State or local agencies, including State Employment Security Agencies; Department of Defense; Office of Personnel Management; the Social Security Administration; and State welfare and food stamp agencies. If there is a discrepancy between the information provided by the above sources and the information that I have provided, I understand that CHW may take action to terminate my benefits and will require the repayment of benefits I was not eligible to receive.

It is with my understanding and consent that a photocopy of this authorization may be used for the purposes stated above. This authorization is valid for one year from the date of my signature.

_____

Address City State Zip

_____/_____/_____ _____-_____-_____ (_____)_____-_____

Date of Birth Social Security No. Telephone Number

_____ _____/_____/_____

Signature Date Signed

(Required if application household size differs from current, size claimed to IRS, legal marital status, and/or other.)

DECLARATION OF FAMILY SIZE

The City of Chula Vista is required to verify the financial eligibility of anyone receiving assistance under the Affordable Housing Program. To comply with this requirement, we ask your cooperation in supplying the information requested in the Certification below. This information will be held in strict confidence and used only for the purpose of establishing your family eligibility.

CERTIFICATION

I, _____, do hereby certify that upon close of escrow my household size will be _____.

If applicable, I further certify that _____ does NOT currently live with me, nor is it my intention that s/he will reside with me upon close of escrow.

I certify that the foregoing is true, complete and correct. Inquiries may be made to verify statements herein. I also understand that false statements or omissions are grounds for disqualification and/or prosecution under the full extent of California law.

Signature _____ Date _____/_____/_____

Witness Signature _____ Date _____/_____/_____

(Required if claiming no income for any adult household member.)

DECLARATION OF NO INCOME

CITY OF CHULA VISTA

The City of Chula Vista is required to verify the financial eligibility of anyone receiving assistance under the Affordable Housing Program. To comply with this requirement, we ask your cooperation in supplying the information requested in the Certification below. This information will be held in strict confidence and used only for the purpose of establishing your family eligibility.

I, _____, do hereby certify that I do NOT receive income from ANY source. I understand sources of income include, but are not limited to, the following:

Employment by Other(s)	Retirement Funds
Unemployment Compensation	Alimony
Social Security	Income from Assets
Workers Compensation	Pensions
Child Support	General Assistance
Education Grants/Work-Study	Disability
Self-Employment	Union Benefits
AFDC	Family Support
SSI	Annuities

I certify that the foregoing is true, complete and correct. Inquiries may be made to verify statements herein. I also understand that false statements or omissions are grounds for disqualification and/or prosecution under the full extent of California law.

Signature _____ Date _____/_____/_____

Witness Signature _____ Date _____/_____/_____

(Required if income fluctuates, and/or will change in next 12 month period.)

VERIFICATION OF EMPLOYMENT AND EARNINGS

CITY OF CHULA VISTA

The City of Chula Vista is required to verify the employment and earnings of household members for the purpose of determining the household's eligibility for receiving assistance under the Affordable Housing Program. To comply with this requirement, we ask your cooperation in supplying the information requested in the Certification below. This information will be held in strict confidence and used only for the purpose of establishing your family eligibility.

_____ _____

Employee Name Employee Social Security Number

This form should be completed and signed by a bona fide representative of the employer such as the bookkeeper or accountant. Under no circumstances should the employee complete this form. Federal statutes provide severe penalties for any fraud, intentional misrepresentation, or criminal connivance or conspiracy.

1. Job Title _____
2. Dates of Employment: Start: _____ Termination (if applicable): _____
3. Pay Period: ( ) Monthly ( ) Weekly ( ) Biweekly ( ) Other _____
4. Regular Hours Per Pay Period _____ 5. Hourly Wage $ _____
6. Is this employee subject to a pay increase within the next 12 months? If yes, please state anticipated hourly rate $_____
7. Avg. Overtime Hrs./Pay Period _____ 8. O/T Wage $ _____
9. Tips Reported/Pay Period $ _____ 10. Commissions/Pay Period _____
11. Bonuses or Other Compensation? ( ) Yes ( ) No

    If yes, specify the type, frequency, and average amount _____
12. Paid Vacation: ( ) Yes ( ) No 13. Paid Sick Leave: ( ) Yes ( ) No
14. Unpaid Time Estimated For the Next 12 Months
    - How many months not employed during the year? _____
    - Reason (e.g., school season, etc.) _____
15. List Year-To-Date Wages Amount: _____ Date (for YTD Amount): _____

Please Print:

_____ _____

Employer Name Address

_____ _____

Signature City State Zip

_____ _____ (_____)_____-_____ ____/_____/____

Name of Person completing form Title Phone Number Date

(Required if household is eligible for child support but do not receive.)

DECLARATION OF NO CHILD SUPPORT

CITY OF CHULA VISTA

The City of Chula Vista is required to verify the financial eligibility of anyone receiving assistance under the Affordable Housing Program. To comply with this requirement, we ask your cooperation in supplying the information requested in the Certification below. This information will be held in strict confidence and used only for the purpose of establishing your family eligibility.

I, _____, do hereby certify that I do NOT receive financial support for expenses related to my children from ANY source, including their natural father/mother.

I certify that the foregoing is true, complete and correct. Inquiries may be made to verify statements herein. I also understand that false statements or omissions are grounds for disqualification and/or prosecution under the full extent of California law.

Signature _____ Date _____/_____/_____

Witness Signature _____ Date _____/_____/_____

(Required if receiving gift funds towards down payment or closing cost.)

GIFT LETTER (2 pages)

CITY OF CHULA VISTA

The City of Chula Vista is required to verify the financial eligibility of anyone receiving assistance under the Affordable Housing Program. To comply with this requirement, we ask your cooperation in supplying the information requested in the Certification below. This information will be held in strict confidence and used only for the purpose of establishing your family eligibility.

Each section of the Gift Letter must be fully completed including dates and signatures of donor and recipient (borrower). Read this form carefully and be prepared to follow these instructions exactly.

I. General Information

I, _____ of _____
Donor(s) (Donor's address (number, street, city, state, zip code)

(_____)_____-_____ will give (or have given) a gift of $ _____
Donors phone number Gift amount

To _____ my _____
Recipient (borrower) Relationship - if not a relative, state clearly defined interest in borrower

In time to close the mortgage transaction on the purchase of the property located at:

_____
Number, Street, City, State, Zip Code

II. Location of Funds

The location of funds must be indicated unless the donor is an immediate family member providing equity credit on the property being sold.

If funds are verified on deposit as the date of application, the funds are in the borrower's account at:

_____
(Borrower's Account Information: Depository name, address, and account number)

OR

If the funds are given after application, the funds are in the donor's account at:

_____
(Donor's Account Information: Depository name, address, and account number)

Continued on next page

III. Donor/Recipient Certification

This is a bona-fide gift, and there is no obligation, expressed or implied either in the form of cash or future services, to repay this sum at this time. The funds given to the

homebuyer were not made available to the donor from any person or entity with an interest in the sale of the property including the seller, real estate agent or broker, builder, loan officer, or any entity associated with them.

WARNING: Section 1010 of Title 18, U.S.C. Department of Housing and Urban Development Transactions provides, "Whoever, for the purpose of ... influencing in any way the action of such Department... makes, passes, utters, or publishes any statement, knowing the same to be false... shall be fined not more than $5,000 or imprisoned not more than two years, or both."

_____ ____/_____/_____ _____ ___/_____/_____
Donor Signature Date Recipient Signature Date

_____ _____
Donor Print Name & Address Recipient Print Name

_____ ____/_____/_____ _____ ___/_____/_____
Donor Signature#2 (if applicable) Date Recipient Signature Date

_____ _____
Donor Print Name & Address Recipient Print Name

IV. Documentation

Documentation verifying availability, transfer, and receipt may be required. Review the Lenders Commitment Letter for any specific required documentation.

APPENDIX B

INCOME

GROSS ANNUAL INCOME

The Annual Income Definition found at HOME Investment Partnership Fund regulations 24 CFR Part 5 is used to determine the gross annual income for the Neighborhood Stabilization Program. The Part 5 definition of annual income is the gross amount of income of all adult household members that is **anticipated** to be received during the next 12-month period. Gross monthly income includes all taxable sources of income derived from: gross pay, overtime compensation, part-time employment earning, bonuses, dividends, interest, royalties, pensions, Veterans Administration (VA) compensation, net rental income, alimony, public assistance payments, sick pay, social security benefits, unemployment compensation, income received from trusts, income received from business activities, bank accounts, investments, and any other source of taxable income not listed above. Certain income exclusions exclusions exist (for example income of minors).

Information regarding income must be current within the most recent 30-day period preceding loan closing. Income not included by the Lender, but listed above, must be added to the Lender's income total on the "Income Computation Worksheet" income eligibility calculation for the City loan program. Income of the mortgagor (or mortgagors) and any other adult who is expected to live in the residence being financed must also be included in the household income calculation. All non-taxable income must be listed and bracketed on the "Income Computation Worksheet", but not counted when calculating the annual gross family income.

In summary, income of all mortgagors (on both title and deed of trust) shall be included in the gross income calculation for the program. Additionally, the income of any adult who will live in the residence should be included. For married couples, income includes the income of both spouses, whether or not on title.

The City is using the Department of Housing and Urban Development's Technical Guide for Determining Income and Allowances for the HOME Program for purposes of establishing income eligibility for the NS FTHB Program. The Program Administrator can be contacted for an electronic calculator. The HUD Guide can be found at the following weblink:
http://www.hud.gov/offices/cpd/affordablehousing/library/modelguides/1780.cfm

MILITARY PAY

For purposes of computing the buyer's gross monthly income, the monthly income is the "total entitlement" shown on the applicant's most recent monthly Leave and Earnings Statement and includes all regular pay, special pay and allowances. Non-taxed income, such as a housing allowance is counted as income. Certain categories of pay, which may be received only sporadically, may need to be considered on a case-by-case basis. The special pay to a family member serving in the Armed Forces who is exposed to hostile fire is excluded from Annual Income.

http://www.hud.gov/offices/cpd/affordablehousing/training/web/calculator/definitions/part5.cfm#whose
http://www.hud.gov/offices/cpd/affordablehousing/training/web/calculator/requirements/determine.cfm

STUDENT INCOME

For purposes of computing the gross income of any person(s) identified as an adult student and a member of the household, the first $480 of the student's income must be counted in the family's income. Note, however that the $480 limit does not apply to a student who is the head of household or spouse (their full income must be counted).

APPENDIX C

SUBSIDY LAYERING ANALYSIS

The City's Neighborhood Stabilization First-Time Homebuyer (NS FTHB) Program is funded through the Neighborhood Stabilization Program (NSP) from the U.S. Department of Housing and Urban Development (HUD) and utilizes guidelines for HOME Investment Partnership Fund regulations. HOME Section 24 CFR 92.250 states that before committing funds to a project, the participating jurisdiction must evaluate the project (subsidy layering analysis) in accordance with guidelines that it has adopted for this purpose and will not invest any more NSP funds, in combination with other governmental assistance, than is necessary to provide affordable housing.

In order to determine the "buying power" of an applicant for the NS FTHB Program, lenders shall provide evidence for financing of the maximum primary loan amount and determine eligibility for the City's program. The combined dollar amount of the qualifying first mortgage and maximum threshold of qualifying NS FTHB funding shall establish an estimated "maximum purchase price". This amount will be included in the City's 60-day pre-commitment letter in order to facilitate applicants in finding eligible properties under the NS FTHB Program.

Once a property has been selected and the purchase price has been determined, a "gap" analysis shall be conducted to determine the exact dollar amount of the second mortgage with the City. The Lender must provide an analysis calculating cash available for all housing expenses* by taking the lesser of the housing ratio (PITI) to monthly income of 36% or debt-to-income ratio of 41% FHA/45% minus debt. The housing cash available will then be used to determine the amount of the primary loan and, ultimately, the Program subsidy amount required, bridging the gap between the purchase price (less down payment) and the amount of the primary loan. The Primary First mortgage must be a fixed rate loan.

* Monthly housing costs include, but are not limited to, payments of principal and interest on the first loan, taxes (including mello roos), insurance (including mortgage insurance), homeowner association fees, and other appropriate expenditures.

Following is a sample analysis, for illustrative purposes.

Family of 2 earning $4083.33/month, $49,000/annual
Household Qualifies for up to $70,000 (80% AMI)

Housing Payment

Housing cash available, lesser of:

Max Front Ratio	36% of *$4,083.33*	=	$1,470.00
Max Back Ratio	41% FHA of *$4,083.33* - *$250* Debt Service	=	**$1,424.17**

Present Value of Monthly Interest (*6.25%* Annual), Term (*30 Year)*, & cash available (*$1,424.17*)

Qualifying Mortgage = $176,475.77

"Estimated Buying Power " Calculation

Qualifying Mortgage	$176,475.77
NS FTHB Threshold	$ 70,000.00
"Maximum" Purchase Price	**$246,000.00**

"Gap" Calculation

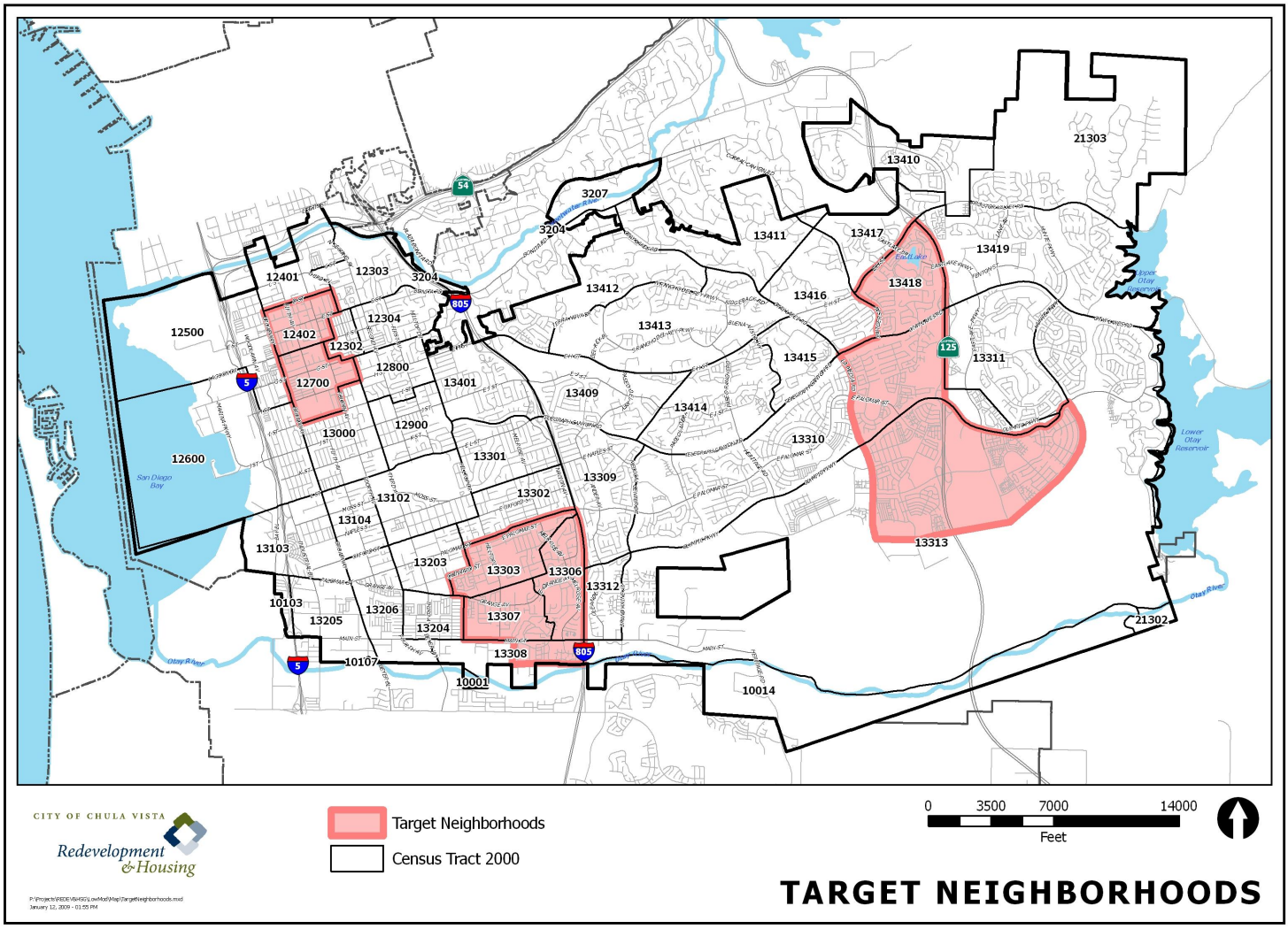
Purchase Price of Property	$220,000.00
Less First Loan Amount	(176,475.77)
Estimated Closing Costs*	7,700.00
Less Down Payment (3%)	(6,600.00)
"Gap" Financing Needed	**$ 44,624.23**

* Closing Costs estimated at 3.5% of purchase price for FHA loans (as illustrated above) and 2% for conventional mortgages.

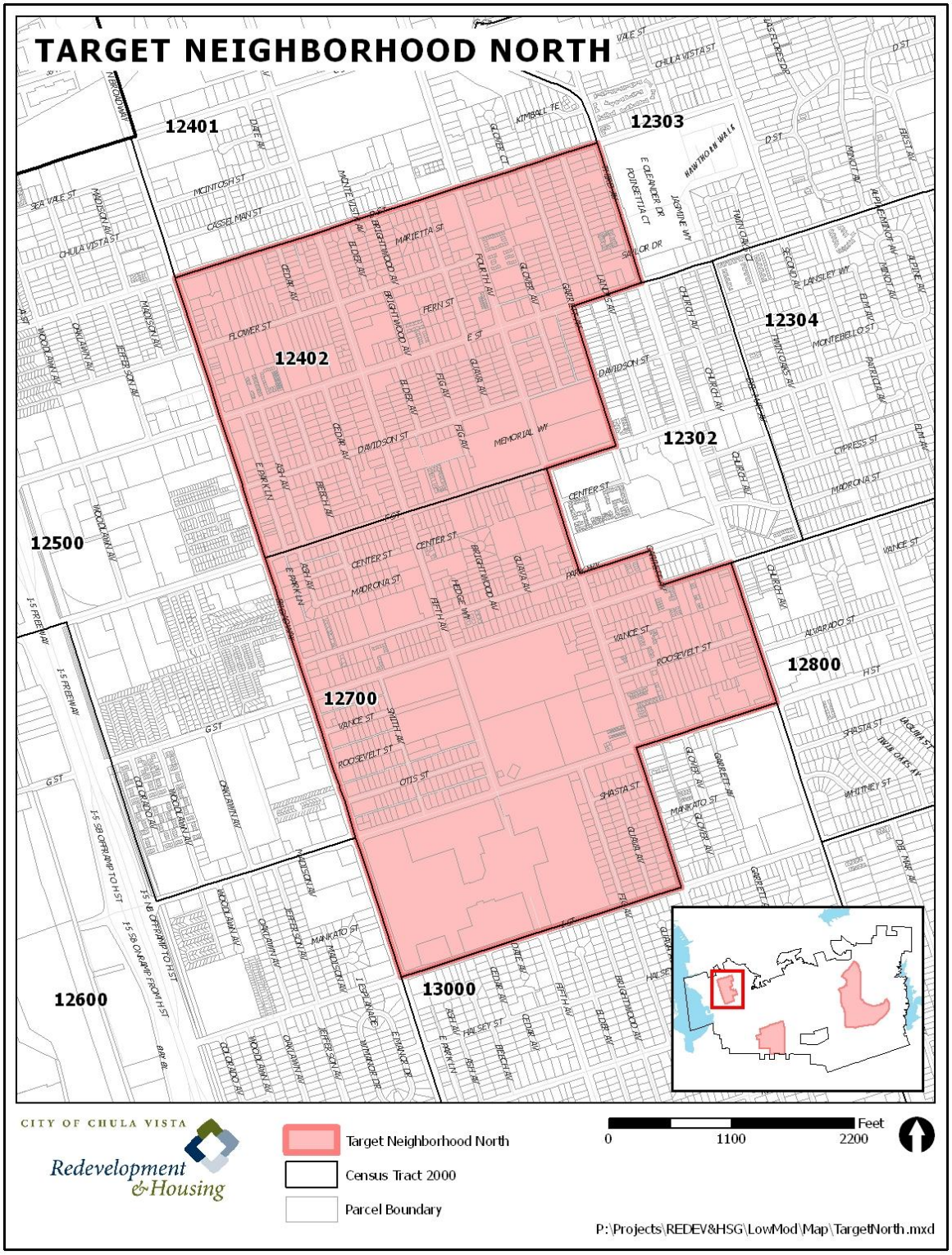
APPENDIX D

NEIGHBORHOOD STABILIZATION PROGRAM TARGET NEIGHBORHOODS

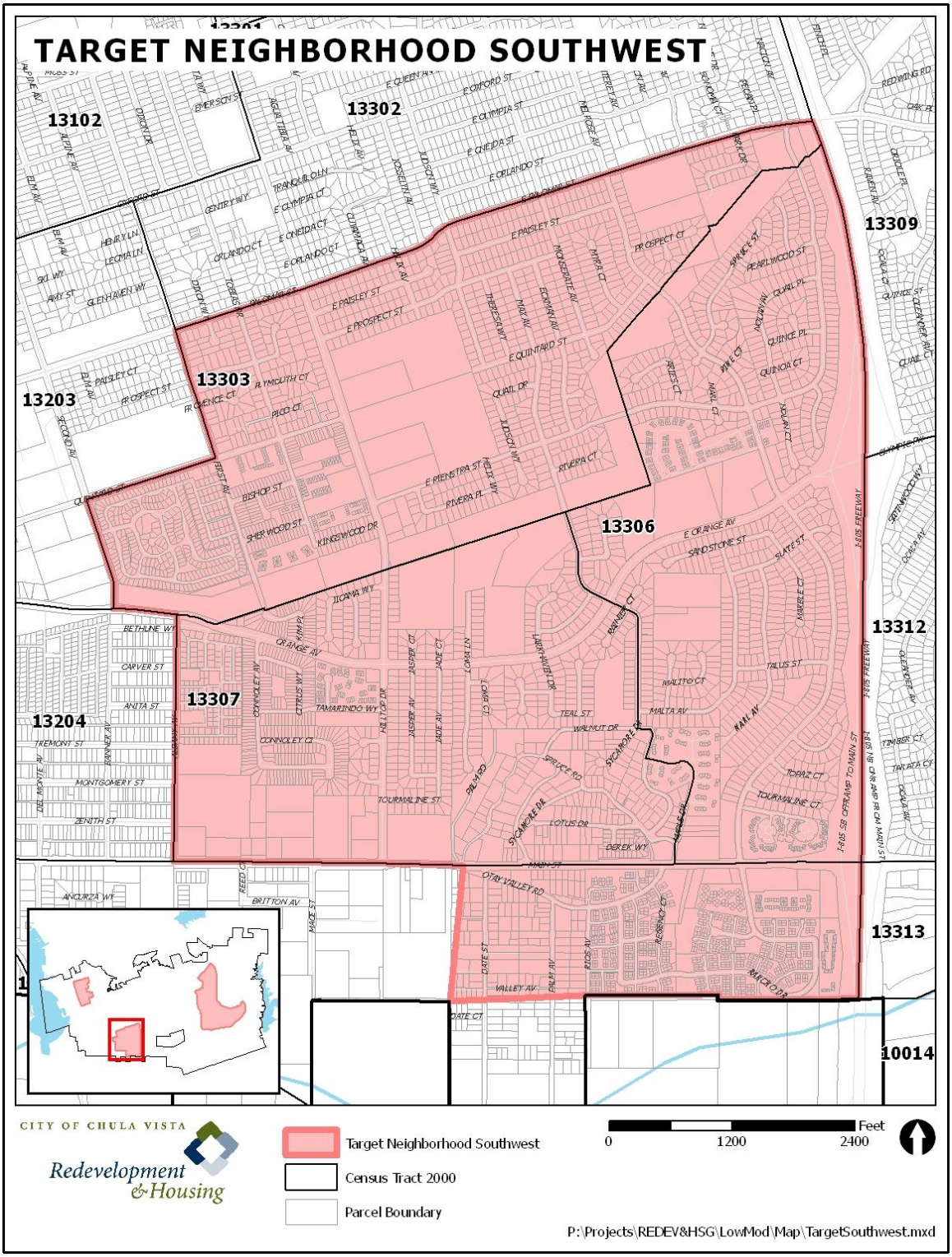
The U.S. Department of Housing and Urban Development (HUD) required that jurisdictions establish areas of greatest need, neighborhoods that have been/will be affected by foreclosures to the greatest extent. Three target neighborhoods were established within Chula Vista to address the greatest need as follows: North, Southwest, and East. All properties purchased using the City's Neighborhood Stabilization First-Time Homebuyer (NS FTHB) Program assistance must be foreclosed and located within one of these three areas. Maps of the three areas are highlighted in the map below and detailed street level maps of each area with a description are included on the following pages.



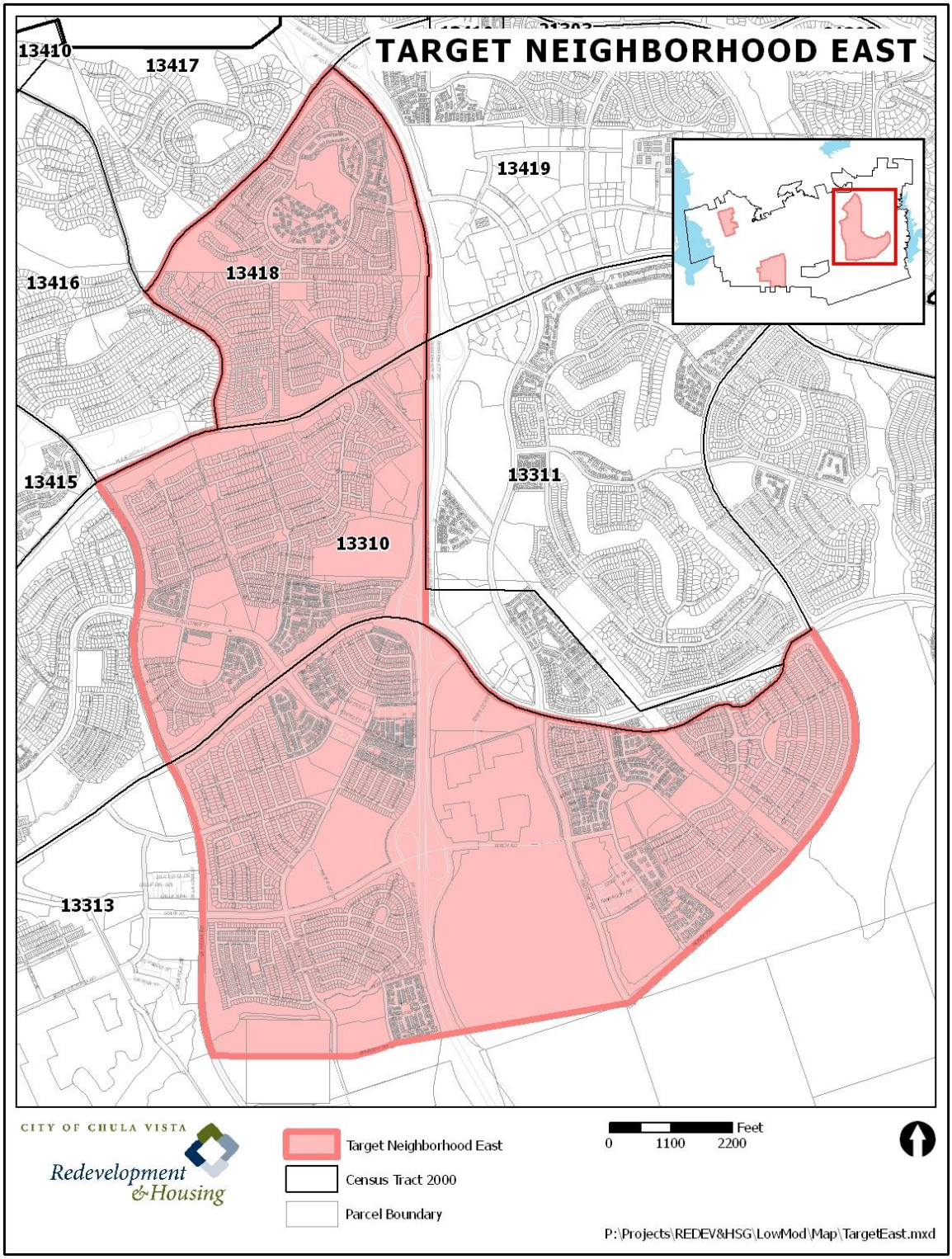
North Target Neighborhood includes census tracts 12402 and 12700. Bounded generally by the following streets: Broadway to the west, D Street to the north, Fourth Avenue to Third Avenue (varies) in the east, and I Street to the south.



Southwest Target Neighborhood includes census tracts 13303, 13306, 13307, and the residential portion of tract 13308. Bounded generally by the following streets: Second Avenue to First Avenue (varies) in the west, Palomar Street to the north, I-805 in the east, and the City boundary (varies) to the south.



East Target Neighborhood includes census tract 13418 and portions of tracts 13310 and 13313. Bounded generally by the following streets: La Media in the west, E. H Street to the north, SR-125 and Hunte Parkway (varies) in the east, and Hunte Parkway and Peabody Way (varies) to the south.



APPENDIX E

REQUEST FOR ISSUANCE OF VOLUNTARY ACQUISITION FORM

CITY OF CHULA VISTA

The City of Chula Vista is required to notify the owner of any property that is potentially being purchased with Neighborhood Stabilization First-Time Homebuyer Program funds, that the transaction is voluntary. To comply with this requirement, once a property has been selected, an initial offer has been placed, "likely" carrying costs calculated, and an appraisal has been conducted by a certified CHW appraiser (including Appraiser Checklist and Certification), this form along with the above referenced documents must be submitted to CHW for a request to issue the voluntary acquisition form.

I, _____, **phone:(_____)_____-_____,**

email:_____ (Applicant's Agent), verify that _____(Applicant) has a pre-commitment letter from the City through the Neighborhood Stabilization First-Time Homebuyer Program and have placed an initial offer on a property located at _____, Chula Vista, CA _____.

The owner of record on the property is:

Bank name: _____

Address: _____

_____

Authorized representative: _____

Phone number: (_____) _____

Our initial offer on the property was for $_____. The property value, as determined by the certified appraiser, has been established at $_____. We have calculated the "likely carrying costs" of the property at $_____, which represents a "purchase discount" of _____% off of the established property value. Therefore our final offer for the property will be $_____.

Please note that the voluntary acquisition form will not be issued without this request form fully completed (including the owner's authorized contact and phone number), attaching the required documentation from the appraiser, and the calculated "maximum purchase discount". The voluntary acquisition form upon issuance must be submitted with a final purchase offer, with proof of delivery.

SAMPLE VOLUNTARY ACQUISITION FORM

(Proof of Delivery Required)
Dear (Owner of Record)**:**

(Name of Purchaser) _____ is interested in acquiring property you own at (address) _____ through the Chula Vista Neighborhood Stabilization First-Time Homebuyer Program which may receive funding assistance from the U.S. Department of Housing and Urban Development (HUD) under the Neighborhood Stabilization Program (NSP).

Please be advised that the City possesses eminent domain authority to acquire property, however, in the event you are not interested in selling your property, or if we cannot reach an amicable agreement for the purchase of your property, we will not pursue its acquisition under eminent domain. Your property is not a necessary part of the proposed project and is not part of an intended, planned, or designated project area where substantially all of the property within the area is to be acquired.

Under the NSP, we are required to purchase foreclosed property at a discount from its current market appraised value. Our appraisal indicates the property's market value is $_____. The purchaser is prepared to offer you $_____ to purchase your property. This offer is less than the current market appraised value as required by the NSP. Please contact us at your convenience if you have questions about this transaction, at (619) 585-5609.

In accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA), owner-occupants who move as a result of a voluntary acquisition are not eligible for relocation assistance. A tenant-occupant who moves as a result of a voluntary acquisition for a federally-assisted project may be eligible for relocation assistance. Such displaced persons may include not only current lawful occupants, but also former tenants required to move for any reason other than an eviction for cause in accordance with applicable federal, state, and local law. If your property is currently tenant-occupied or a tenant lawfully occupied your property within the past 3 months prior to our offer, we need to know immediately. Further, you should not order current occupant(s) to move, or fail to renew a lease, in order to sell the property to us as vacant.

_____ / / _____ _____ / / _____
Buyer Signature Date Seller Signature Date

Please acknowledge receipt of this notice and return to the City's Program Administrator upon completion.

APPENDIX F

CALCULATING PURCHASE DISCOUNT/LIKELY CARRYING COSTS

All properties purchased with assistance through the Neighborhood Stabilization First-Time Homebuyer Program (NS FTHB) must be purchased at a ''maximum reasonable discount'' from the mortgagee, taking into consideration likely ''carrying costs'' of the mortgage if it were to not sell the property to NS FTHB subrecipient. These likely carrying costs are different from market to market, and the ''maximum reasonable discount'' is likely to be higher in markets where homes are taking many months to more than a year to sell as compared to markets with shorter average time to sell a property. The minimum discount for a property acquired with NS FTHB funds must be at least one percent (1%).

For purposes of the City's NS FTHB, "maximum reasonable discount" shall be calculated using the methodology below to anticipate carrying costs including, but not be limited to: taxes, insurance, maintenance, marketing, overhead, and interest, reference example below. The "likely" time on market must be documented through comparable properties in the area and included with the calculator.

Each property transaction is required to include such analysis and be turned into the City's Program Administrator with the "Request for Issuance of a Voluntary Acquisition" form and the certified appraisal. The Program Administrator can be contacted for an electronic calculator.

Example (in this scenario the "likely" carrying costs exceed 1% and the "maximum reasonable discount" is 3.9%):

Carrying Costs as of:	**6/15/09**			
Days since NOD recorded:	180			
"Likely" Time on Market (Days):	90			
	Monthly Cost	*Daily Cost*	**Costs to Date**	**Anticipated**
Taxes	$550.00	*$18.33*	$3,300.00	$1,649.70
HOA	$325.00	*$10.83*	$1,950.00	$974.70
RAP Registry	$5.83	*$0.19*	$34.98	$9.00
Insurance	$50.00	*$1.67*	$300.00	$150.30
Maintenance	$50.00	*$1.67*	$300.00	$150.30
Marketing	$200.00	*$6.67*	$1,200.00	$600.30
Overhead	$100.00	*$3.33*	$600.00	$299.70
Interest	$1,550.00	*$51.67*	$9,300.00	$4,650.30
SUBTOTAL			**$16,984.98**	**$8,484.30**
Appraised Value				$215,000.00
Proposed Discount ($)				**$8,484.30**
Proposed Discount (%)				***3.9%***

APPENDIX G

SHARED EQUITY EXAMPLE

NOTE: The following example assumes an initial (a) Gross Sales Price of $150,000 (b), Net Sales Price of $135,000 ($150,000 minus 10% seller fees), (c) 1st mortgage balance of $100,000 and City 2nd of $25,000 (d), Total Equity of $10,000 (b-c), and a City loan of $25,000.00 at a 0% interest rate, with an APR of 0%. The table is for the purpose of illustration only. Actual sales price and net sales price will vary. The principal amount of the loan remains due.

# Months After Date Of Agreement	Gross Sales Price (a)	Net Sales Price (b) (a-10% fee)	Mortgage Balances (c) (1st $100k & 2nd $25K)	Total Equity (d) (b-c)	Buyer's Equity Share Increases 5% Per year	City of Chula Vista's Equity Decreases 5% per year
0-12	$150,000	$135,000	$125,000	$10,000	$0 (0%)	$10,000 (100%)
13-24	$155,000	$139,500	$125,000	$14,500	$725 (5%)	$13,775 (95%)
25-36	$155,000	$139,500	$125,000	$14,500	$1,450 (10%)	$13,050 (90%)
37-48	$160,000	$140,000	$125,000	$15,000	$2,250 (15%)	$12,750 (85%)
49-60	$160,000	$140,000	$125,000	$15,000	$3,000 (20%)	$12,000 (80%)
61-72	$165,000	$148,500	$125,000	$23,500	$11,750 (50%)	$11,750 (50%)
73-84	$165,000	$148,500	$125,000	$23,500	$12,925 (55%)	$12,925 (45%)
85-96	$170,000	$153,000	$125,000	$28,000	$16,800 (60%)	$11,200 (40%)
97-108	$170,000	$153,000	$125,000	$28,000	$18,200 (65%)	$9,800 (35%)
109-120	$175,000	$157,500	$125,000	$32,500	$22,750 (70%)	$9,750 (30%)
121-132	$175,000	$157,500	$125,000	$32,500	$24,375 (75%)	$8,125 (25%)
133-144	$180,000	$162,000	$125,000	$37,000	$29,600 (80%)	$7,400 (20%)
145-156	$180,000	$162,000	$125,000	$37,000	$31,450 (85%)	$5,550 (15%)
157-168	$185,000	$166,500	$125,000	$41,500	$37,350 (90%)	$4,150 (10%)
169-180	$185,000	$166,500	$125,000	$41,500	$39,425 (95%)	$2,075 (5%)
Thereafter	$190,000	$171,000	$125,000	$46,000	$46,000 (100%)	$0 (0%)

If the Property is sold in the first year of the term of the Note secured by this Deed of Trust, Borrower shall receive zero percent (0%) of the Equity in the Property and the City shall receive one hundred percent (100%) of the Equity. "Equity" is defined as the dollar amount that constitutes the difference between the sales price of the Property and the sum of the following amounts:

1. Principal on the First Note and the Deed Trust; and
2. Principal on this Second Note and Deed of Trust to the City of Chula Vista; and
3. All costs of sales, including cost of brokers' commissions, escrow fees, title costs and fees, recording cost, etc.; and
4. Current year taxes, including all real estate taxes calculated to the date of sale; and
5. Borrower's down payment not including the loan from the City to Borrower; and
6. All principal paid down on the First Note and Deed of Trust; and
7. Costs of any improvements to the Property, provided such improvements were approved by the City prior to construction and provided that such improvements have been documented to the satisfaction of the City.

The amount of the Borrower's share in the equity of the Property shall increase by five percent (5%) per year, measured on the anniversary date of this Deed of Trust. Correspondingly, the City's

share in the equity of the Property shall decrease by five percent (5%) per annum. For the sake of example, if the Property is sold more than ten (10) but less than eleven (11) years after the date of this Deed of Trust, the City would have a twenty five percent (25%) share in the Equity and the Borrower would have a seventy five percent (75%) share in the Equity of the Property.

In the event that no Equity exists at the time of transfer or sale, the NSP funds (item 1b above) will still be due and payable. In the event that a negative Equity situation exists, and the full amount of the NSP funds are not available to be recaptured, the amount of NSP funds required to be repaid to the City will be as set forth in 24 CFR 92.254(a)(ii)(A)(3). The formulas are as follows:

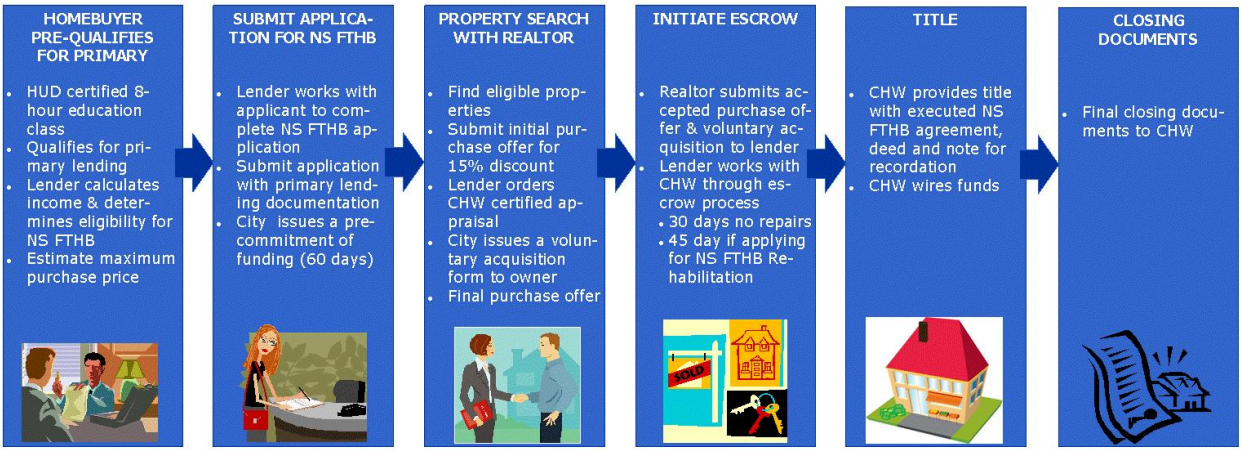
$$\frac{\text{NSP investment}}{\text{NSP investment + homeowner investment}} \times \text{Net proceeds} = \text{NSP amount to be recaptured}$$

$$\frac{\text{Homeowner investment}}{\text{NSP investment + homeowner investment}} \times \text{Net proceeds} = \text{amount to homeowner}$$

"NSP investment" is defined funds received pursuant to the NSP Program. "Homeowner investment" is defined as the amount of down payment made by the owner.

APPENDIX H

NEIGHBORHOOD STABILIZATION FIRST-TIME HOMEBUYER PROGRAM SEQUENCE OF LOAN PROCESS & SUMMARY SHEET



1. HOMEBUYER / LENDER
   - Completes Homebuyer Education course.
   - Applies to Participating Lender for financing.
     - Lender determines NS FTHB eligibility, including anticipated income, *Appendix B*.
     - Determines "gap" through subsidy layering analysis, per *Appendix C*.
     - Estimates maximum purchase price.
     - Lender completes summary sheet in *Appendix H*.
   - Complete City NS FTHB Application, *Appendix A*, including: Affidavit; Lender Certification; Release of Information, and other applicable declarations.
2. PROGRAM ADMINISTRATOR & CITY
   - Review application for NS FTHB and issue denial or approval.
     - If approved, City issues a 60 day letter of pre-commitment of funds. The letter will include the threshold the household has qualified for and the estimated "buying power"/"estimated maximum purchase price".
3. HOMEBUYER & REALTOR
   - Selects house that is eligible for NS FTHB in a target neighborhood, *Appendix D*.
   - Places an initial purchase offer.
     - Estimated value minus an estimated "maximum reasonable discount" (minimum of 1%), reference *Appendix F*, contingent on appraisal.
   - Choose a certified appraiser to conduct a third-party appraisal to determine Market Value of home and provides to City.
4. APPRAISER
   - Conducts appraisal in accordance with NS FTHB requirements, including Appraiser Certification & Checklist, *Appendix J*.
   - Realtor/lender submit initial offer, appraisal, Appraiser Certification, Appraiser Checklist, and Request for Issuance of Voluntary Acquisition to Program Administrator.
5. PROGRAM ADMINISTRATOR & CITY
   - Provides seller with the Voluntary Acquisition Form, reference sample in *Appendix E*, to be placed on top of Purchase Offer and sent via certified mail or return receipt.
6. HOMEBUYER & REALTOR
   - Make Final Purchase Offer, accompanied by voluntary acquisition.

7. LENDER
   - Starts processing for mortgage loan and City loan.
   - Prepares and forwards update to application package to City, including summary sheet update.
   - Processes and underwrites Applicant for first mortgage.
   - Has an Independent Certified Risk Assessor (or certified equivalent) conduct a property inspection and Risk Assessment to ensure the subject property meets Housing Quality Standards (HQS) and HUD lead-based paint regulations. Notifies lender, buyer and Escrow of work needed to cure defects within 15 days of lead-based hazard determination (if applicable), and provides Buyer, Lender, and Escrow a copy of any/all Risk Assessment Report(s).
8. PROGRAM ADMINISTRATOR STAFF AND CERTIFIED LEAD BASED PAINT PROFESSIONALS
   - The Program Administrator issues a 60 day Commitment to Lender after approving the update to application package and verifying that the property meets minimum property standards, Housing Quality Standards, reference *Appendix K & L. (NOTE: The City may choose to issue a Commitment pending receipt of missing documentation and completion of work to cure property of code violations and/or lead-based paint hazards.)*
     - Work to cure property defects and/or lead-based paint hazards takes place by Certified Lead-Based Paint Professionals (if applicable).
     - Re-inspection and clearance of property takes place to ensure Housing Quality Standards and elimination of lead-based paint hazards (if applicable).
   - If home requires health & safety related repairs above what buyer is willing to provide, applicant is eligible to submit an application for NS FTHB Rehabilitation, in accordance with *Appendix M* (this process is outlined below, if no rehabilitation is required skip to #10).
9. REHABILITATION (requires minimum of 45 day escrow), reference *Appendix M*
   - Homebuyer completes rehabilitation application and submits to Program Administrator.
   - If deemed eligible, homebuyer will be required to get a minimum of 3 contractor bids for work identified in the HQS inspection, and return to Program Administrator.
   - NS Rehabilitation Loan Committee will meet to review bids and determine applicable loan amount.
   - Program Administrator and lender work together to place a 90 day escrow hold on applicable funds.
   - Homebuyer must work with their choice of contractor to complete all required repairs a minimum of 2 weeks prior to the 90 day escrow hold expiration.
10. ESCROW, LENDER & PROGRAM ADMINISTRATOR
    - Coordinates signing of all closing documents by Sellers and Borrowers, including the following City documents:
      - Deed of Trust, Promissory Note, and NS FTHB Regulatory Agreement.
11. LENDER
    - Sends Close of Escrow Package and all outstanding documentation (per the Commitment) to Program Administrator prior to Commitment expiration.
    - Program Administrator works with City to get necessary signature on NSP Agreement.
    - Funds loan through Escrow/Title and Escrow/Title Company and sends Deed of Trust and all recordable documents to the Title Company or County Recorder's Office (close of escrow).
12. PROGRAM ADMINISTRATOR
    - Receives and reviews Close of Escrow Package (outstanding documentation, original documents, and certified/executed copies).

- Wires City loan funds through Escrow/Title and Escrow/Title Company sends Deed of Trust and all recordable documents to the Title Company or County Recorder's Office (close to escrow).
- Conducts random audit of Lenders records.

13. HOMEBUYER
    - Receives City loan.
    - Signs an Annual Affidavit of Owner-Occupancy.

SUMMARY SHEET
Neighborhood Stabilization First Time Homebuyer (NS FTHB) Program

Buyer:

Property Address:
APN:

Anticipated Income:
Net Assets at escrow close:
Total Anticipated Income (including income from assets):
Income Limit by Household Size: **(1) $44,250/$60,550 (2) $50,550/$69,200 (3) $56,900/$77,850 (4) $63,200/$86,500 (5) $68,250/$93,450 (6) $73,300/$100,350 (as of 02/13/08)**

Within Income Limit: **Yes / No**

Within 95% of Median Value: **Yes / No ($559,550 as of 03/12/08)**

Purchase Price:
Property Value*:
*Documentation must be provided

Qualifying Ratios: **(36% & 41% FHA/45%)**
Applicant Meets City Program Ratios: **Yes / No**

First Mortgage:
City's Silent Second:

Arms Length Transaction form on File: **Yes / No**

Unit Inspection Complete: **Yes / No**

Subsidy Layering Complete and attached: **Yes / No**

Property requires repairs through the NS Rehabilitation Program: **Yes / No**

I certify the source documentation was reviewed and this buyer meets the City's requirements for Down Payment and Closing Costs Assistance and I have provided all required documentation in this application for funding. I also certify the amount of assistance required does not exceed the program requirements. Please attach a copy of the 1003/1008 signed by the borrower.

Sign: _____

APPENDIX I

CITY LOAN QUALITY COMMITMENT POLICY

The City of Chula Vista Redevelopment & Housing Department and the Program Administrator invites the entire mortgage lending community to participate in the First-Time Homebuyer Program. Participation will continue to be open to those mortgage lenders who uphold the following work standards:

- Lending company personnel receive training for the program before being assigned to prepare loan packages. This training includes: Program Administrator training sessions (if applicable); knowledge of training manual; knowledge of City-provided update letters.
- Each lender enrolled in the program designates a Program Administrator Contact Person for each participating branch. The Contact's responsibilities include: 1) making Lender Update letters (including attachments) available to all City loan-related personnel in a timely manner; 2) attending at least one training session per year (if applicable); 3) notifying Housing staff of any re-assignment of Contact person and/or changes in company location and or status.
- Expiration of a Loan *Commitment* without submission of the required paperwork must be addressed in a timely manner by; submitting the documents necessary to make the file current, close the loan, or canceling the pending loan with notification to the City.
- The lender must obtain the *Commitment* to issue the loan before funding the loan.
- Each funding lender ensures that the closing or funding department of their company is aware of their obligations under the city loan program and are prepared to submit all necessary closing documentation in a timely manner.
- Buyers are treated fairly, receiving a full and accurate explanation about the city loan. For questions that the lender cannot answer, the buyer is referred to housing staff.

APPENDIX J

CERTIFIED APPRAISER REQUIREMENTS CHECKLIST & CERTIFICATION

CHECKLIST TO BE COMPLETED BY APPRAISER/PROGRAM ADMINISTRATOR:

1. Name of Grantee:_____
2. Address of Property: _____
3. Name of Appraisal Company/Appraiser_____
4. Physical Inspection- Outside and inside---no windshield survey only. An adequate description of the physical characteristics of the property being appraised.
   - ☐ Items identified as personal property
   - ☐ Property rights being obtained
   - ☐ A statement of the known and observed encumbrances
   - ☐ Title information
   - ☐ Location
   - ☐ Zoning
   - ☐ Present Use
   - ☐ Analysis of highest and best use
   - ☐ Five year sales history
   - ☐ Verification of sales by a party involved in the transaction
   - ☐ Adequate photographs
5. A description of comparable sales (Field inspection)
   - ☐ Physical characteristics
   - ☐ Legal characteristics
   - ☐ Economic factors
   - ☐ Parties to the transaction
   - ☐ Source and method of financing
   - ☐ Verification by a party involved in the transaction
   - ☐ Comparable sales are within six months
6. All relevant and reliable approaches to value consistent with Federal appraisal practices.
   - ☐ All applicable approaches to value considered and explanation of why certain approaches not used seems reasonable (See appendix a 24.103(a)(2) – in some cases an agency may choose to only require the sales approach; additionally the income approach likely wouldn't be applicable to most of these NSP acquisitions with some exceptions of course)
   - ☐ Analysis and reconciliation of approaches supports appraisers opinion of value
7. Statement of value of real property:
   - ☐ Appraised Value
   - ☐ Basis of Value
   - ☐ Date of value
   - ☐ Date of appraisal

- ☐ Signature and certification of the appraiser
- ☐ No NSP program discount applied to appraised value

8. ☐ No consideration of any decrease or increase in the fair market value of the real property caused by the project for which the property is to be acquired, or by the likelihood that the property would be acquired for the project other than due to physical deterioration
9. ☐ Owner retention of improvements discussed, if any
10. Includes a definition of fair market value as determined by State law and or "the price that a seller is willing to accept and a buyer is willing to pay on the open market in an arm's length transaction" with the following similar language:

    - ☐ Buyer and seller are typically motivated;
    - ☐ Both parties are well informed or well advised, each one acting in own best interest;
    - ☐ A reasonable time is allowed for exposure in the open market;
    - ☐ Payment is made in terms of cash in U. S. dollars or in terms of financial arrangements comparable thereto; and
    - ☐ The price represents the normal consideration for the property sold. Unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.
11. Statement of all relevant assumptions and limiting conditions including any ones that may be required for the particular appraisal assignment, such as:
    - ☐ The data search requirements and parameters that may be required for the project.
    - ☐ Identification of the technology requirements, including approaches to value, to be used to analyze the data
    - ☐ Need for machinery/equipment appraisals, soil studies, potential zoning changes, etc.
    - ☐ Instructions to the appraiser to appraise the property "As Is" or "subject to repairs or corrective action"
    - ☐ Information on property contamination to be provided and considered by the appraiser in making the appraisal (if applicable)

Other

- ☐ Evidence of tenants: ☐ Yes, if so, list names. ☐ No
- ☐ HUD Appraiser Certification in File
- ☐ Appraiser met grantee's list of qualifications

TO BE COMPLETED BY PROGRAM ADMINISTRATOR:

Appraised Value $_____ Date of Value ____/____/_____

Amount Offered $_____ Date of Offer____/____/_____

%Discount_____%

Final Purchase Price $_____ Date of Purchase___/___/_____

Estimated "Likely "Carrying Cost$_____ % Final Discount_____%

Name of Reviewer:_____ Date____/____/_____

CERTIFICATE OF APPRAISER FORM

CITY OF CHULA VISTA

I hereby certify that:

1. On _____ date(s), I personally made a field inspection of the property herein appraised and have also personally made a field inspection of the comparable sales relied upon in making said appraisal. The property being appraised and the comparable sales relied upon in making this appraisal were as represented in the appraisal.
2. To the best of my knowledge and belief the statements contained in the appraisal herein set forth are true, and the information upon which the opinions expressed therein are based is correct; subject to the limiting conditions therein set forth.
3. I understand that such appraisal may be used in connection with the acquisition of property for project utilizing U.S. Department of Housing and Urban Development Neighborhood Stabilization funds.
4. The appraisal has been made in conformity with appropriate laws, regulations, and policies and procedures applicable to appraisal of property for such purposes---specifically the requirements in the Uniform Relocation and Property Acquisition Act of 1970 regulations at 49 CFR Part 24.103.
5. To the best of my knowledge no portion of the value assigned to such property consists of items which are non-compensable under the established law of said State.
6. Any decrease or increase in the fair market value of real property prior to the date of valuation caused by the project for which such property is acquired, or by the likelihood that the property would be acquired for such project, other than that due to physical deterioration within the reasonable control of the owner, was disregarded in determining the compensation for the property.
7. Neither my employment nor my compensation for making this appraisal and report are in any way contingent upon the values reported herein.
8. I have no direct or indirect present or contemplated future personal interest in such property or in any benefit from the acquisition of such property appraised.
9. I have not revealed the findings and results of such appraisal to anyone other than the proper officials of the acquiring agency or officials of the U.S. Department of Housing and Urban Development and I will not do so until so authorized by said officials, or until I am required to do so by due process of law, or until I am released from this obligation by having publicly testified as to such findings.
10. I have not given consideration to, or included in my appraisal, any allowance for relocation assistance benefits.

My opinion of the fair market value of the property to be acquired as of the _____ day of _____ 20 _____ is $_____ based upon my independent appraisal and the exercise of my professional judgment.

Name _____ Company _____

Signature _____ License #_____

APPENDIX K

CODE AND DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT HOUSING QUALITY STANDARDS (HQS)

The City's Neighborhood Stabilization First-Time Homebuyer Program is funded through the Neighborhood Stabilization Program (NSP) from the U.S. Department of Housing and Urban Development (HUD). For purposes of the program the City has chosen to use HOME Investment Partnership Program (HOME) requirements. HOME at 24 CFR 92.251(a)(2) states that housing must "meet all applicable State and local housing quality standards and code requirements and, if there are no such standards or code requirements, the housing must meet the housing quality standards in 24 CFR 982.401".

The Acceptability Criteria listed with each section sets the minimum standards that must be met in all residential units. The Interpretation of Acceptability Criteria listed after those criteria are the standards that HUD feels should also be met if the property is to have long-term utility and contribute to the livability of the unit.

ACCEPTABLE CRITERIA AND INTERPRETATIONS

A. SITE AND NEIGHBORHOOD - The site and neighborhood shall be reasonably free from disturbing noises and reverberations and other hazards to the health, safety and general welfare of the occupants.

ACCEPTABILITY CRITERIA - The site and neighborhood shall not be subject to serious adverse environmental conditions, natural or manmade such as:

1. Dangerous walks, steps or instability;
2. Flooding, poor drainage, septic tank back-ups, sewer hazards or mudslides;
3. Abnormal air pollution, smoke or dust;
4. Excessive noise, vibrations or vehicular traffic;
5. Excessive accumulations of trash;
6. Vermin or rodent infestation;
7. Fire hazards;

INTERPRETATION OF ACCEPTABILITY CRITERIA

1. All steps and walks should be level, free from dangerous cracks, crumbling or breaks, tripping hazards, broken & missing materials, etc., and be provided with sufficient pitch to prevent water accumulation.
2. The lot should have positive drainage away from the dwelling and/or dwelling unit to prevent standing water at the foundation.
3. No additions.
4. No additions.
5. Any materials, which accumulate on a property in the neighborhood, should be removed or screened and arranged in a manner that does not detract from the general appearance of the neighborhood.
6. No additions – see #5 above – removal of trash, garbage, debris, etc., will significantly reduce infestation problems.
7. The site should be free from fire hazards, such as the storage of highly flammable materials, etc.

B. ACCESS – The dwelling/dwelling unit shall have adequate access for the occupants.

ACCEPTABILITY CRITERIA

1. The dwelling/dwelling unit shall be usable and capable of being maintained without unauthorized use of other private properties.
2. The building shall provide an alternative means of egress in case of fire, i.e., fire stairs, egress through windows, etc.

INTERPRETATION OF ACCEPTABILITY CRITERIA

1. The property should be adjacent to an access street or road.
2. No additions.

C. STRUCTURE AND MATERIALS - The dwelling/dwelling unit shall be structurally so as not to pose any threat to the health and safety of the occupants and so as to protect the occupants from the environment.

ACCEPTABILITY CRITERIA

1. Ceilings, walls (interior and exterior), floors, roofs, porches, etc., shall not have any serious defects such as severe bulging or leaning, large holes, loose surface materials, severe buckling or noticeable movement under walking stress, missing parts, or other serious damage.
2. The roof structure shall be firm and the roof shall be weather tight.
3. The exterior wall structure and the exterior and interior wall surfaces shall not have any serious defects such as serious leaning, buckling, sagging, cracks or holes, loose materials, loose siding or other serious damage.
4. The conditions and equipment of interior and exterior stairways, halls, porches, walkways, etc., shall be such as not to present a danger of tripping and/or falling.
5. Elevators shall be maintained in a safe operating condition.
6. In the case of a mobile home, the home shall be securely anchored by a tie-down device, which distributes and transfers loads imposed by the unit to appropriate ground anchors so as to resist wind, overturning and sliding.

INTERPRETATION OF ACCEPTABILITY CRITERIA

1. Where crawl spaces or basements exist, all first-floor structural wood members, including floor joists, plates, piers and pilings should be inspected for cracked, broken, rotten or otherwise damaged conditions. Damaged members should be repaired and/or replaced as required.
   The exterior/interior walls should be weather-tight in a manner that prevents heat loss in the winter (cooling loss in the summer) as much as possible. This includes the repainting and/or installations of siding to protect the exterior surface from the elements. The interior walls should be repaired/replaced as required to facilitate this criterion.
2. The roof structure should be firm in that all roof-framing members should be free from cracks and rot. The roof sheathing should be solid and free from sagging, buckling, heaving, etc. If the roof appears to be well worn, it should be replaced. If possible, the best replacement will include stripping all the way down to the sheathing and replacing. If costs dictate, a second layer of roofing can be installed over the first layer. If there are already two or more layers of roofing materials, the roof should be stripped down to the sheathing, and if necessary, replace the sheathing and then install the new roof covering.
3. Concrete block or brick foundations, piers and pilings, should be inspected for loose mortar joints. All empty or cracked mortar joints should be tuck-pointed in an acceptable manner to match, as closely as possible, the rest of the structure. The joints should be recessed.

The chimney should be inspected for loose mortar joints and proper height. All empty or cracked mortar joints should be tuck-pointed in an acceptable manner to match, as closely as possible, the rest of the chimney. The joints should be recessed.

4. All exterior steps, walkways and porches should be free of tripping hazards. Crumbling, cracked, broken, missing and/or uneven conditions should be repaired and/or replaced as necessary.
   The condition of all interior stairways should be such as not to present a danger of tripping or falling, see above. Handrails should be properly installed on all stairways.
5. No additions.
6. No additions.
7. The property should be inspected by a qualified extermination firm, and if necessary treated for vermin, rodents, termites and other wood-burrowing insects.
8. All outbuildings such as garages, storage sheds, etc., should be repaired to a usable condition or removed from the property.
9. The general appearance of the outside of the structure and the lot, after rehabilitation, should be such that it makes a significant contribution to the general appearance of the neighborhood.
10. Installation of gutters and down spouts is strongly recommended in order to divert water away from foundations.

D. LEAD-BASED PAINT – The dwelling unit shall be in compliance with the HUD Lead-Based Paint regulations.

ACCEPTABILITY CRITERIA

1. The dwelling/dwelling unit shall comply with HUD Lead-based Paint regulations at 24 CFR Part 35, issued pursuant to the Lead-Based Paint Poisoning Prevention Act, 42 USC 4801.
2. The owner shall provide a certification that the dwelling is in compliance with such HUD regulations.
3. If the property was constructed prior to 1978, any in-place tenant/family shall be furnished a notice and pamphlet as required by the Lead-Based Paint regulations. Such notice shall inform them of the procedures regarding the hazards of lead-based paint poisoning, the symptoms and treatment of lead poisoning and the precautions to be taken against lead poisoning.

INTERPRETATION OF ACCEPTABILITY CRITERIA

1. Compliance with the Lead-Based Paint regulations requires the following actions:
   - Notification to all occupants that the property may contain lead-based paint, if constructed prior to 1978, and the hazards, symptoms and treatment of such poisoning, including information on testing for elevated blood levels (EBL) for children.
   - All contracts shall include language prohibiting the use of lead-based paint.
   - The inspection for and elimination of "immediate hazards", which are defined as chipping, peeling, flaking, cracking or other defects in previously painted surfaces.
2. No additions.
3. No additions.

E. WATER SUPPLY

ACCEPTABILITY CRITERIA

1. The dwelling/dwelling unit shall be served by an approved public or private sanitary water supply.

INTERPRETATION OF ACCEPTABILITY CRITERIA

1. The dwelling unit should have a water heater of sufficient capacity to serve present and anticipated future residents. Further, they should not be allowed in bathrooms, bedrooms, sleeping rooms or closets.
2. Hot and cold water should be supplied to all kitchens, baths and laundry facilities.
3. All water lines should be protected from freezing.

F. INTERIOR AIR QUALITY - The dwelling/dwelling unit should be free of pollutants in the air at levels that threaten the health of the occupants.

ACCEPTABILITY CRITERIA

1. The dwelling/dwelling unit shall be free from dangerous levels of air pollution from carbon monoxide, sewer gas, fuel gas, dust and other harmful air pollutants.
2. Air circulation shall be adequate throughout the dwelling/dwelling unit.
3. Bathroom areas shall have at least 1 openable window or other adequate exhaust ventilation.

INTERPRETATION OF ACCEPTABILITY CRITERIA

1. All gas or oil fired appliances should have proper venting to the outside of the dwelling/dwelling unit for combustion gases.
2. All windows designed to open should be capable of being easily opened, provided with the proper window hardware to make them both operable and openable, and provided with screens properly installed and maintained.
3. Kitchen areas should also have proper ventilation.

G. ILLUMINATION AND ELECTRICITY – Each room shall have adequate natural or artificial illumination to permit normal indoor activities and to support the health and safety of the occupants. Sufficient electrical sources shall be provided to permit use of essential electrical appliances while assuring safety from fire.

ACCEPTABILITY CRITERIA

1. Living and sleeping rooms shall include at least one window.
2. A ceiling or wall-type light fixture shall be present and working in the bathroom and kitchen areas.
3. At least two electric outlets, one of which may be an overhead light, shall be present and operable in the living area, kitchen and each bedroom area.

INTERPRETATION OF ACCEPTABILITY CRITERIA

1. No additions not performed in a workmanlike manner.
2. A ceiling or wall fixture, operated by a wall switch should be present in the kitchen, bath and hallways.
3. All outlets installed as a result of the rehabilitation work should be of the grounded type.
4. Each unit should be provided with a least 100 amp service and a sufficient number of circuits to service present and anticipated future use of the:

- There should be separate circuits for any air conditioners (including window type), furnaces, electric dryers, electric stoves, microwaves and any other special appliances.
- There should be two separate 20-amp circuits (minimum) for the heavy workload area in the kitchen, and all kitchens should be wired to the National Electric Code (NEC), based on the size and layout of each individual kitchen.
- With the exception of kitchens (see b. above), all other rooms should be assessed relative to their use of electricity and additional outlets and/or switches installed based on usage and safety factors.
- Electrical outlets in the bathrooms and kitchens should have an overload switch.

5. Connection at the main service to the unit should be in an acceptable manner.
   - Placement of the connection should be out of the reach of children,
   - Proper anchoring should be used.
6. All defective exposed "knob & tube" wiring should be removed. It is recommended that any additional exposed "knob & tube" also be removed and replaced in conduit to prevent splicing and/or unsafe usage.
7. All hazardous conditions such as broken switches/outlets, missing covers, bare wiring, fixtures not properly installed/anchored should be repaired/replaced in an acceptable manner. It is recommended that all "pendant" type fixtures be replaced with an appropriate ceiling/wall fixture.
8. Although though a room may meet acceptability criteria #3 above, if the inspection reveals the use of octopus plugs, adapters, extension/zip cords and/or other unsafe practices, additional outlets should be installed.

H. THERMAL ENVIRONMENT – The dwelling/dwelling unit shall have and be capable of maintaining a thermal environment healthy for the human body.

ACCEPTABILITY CRITERIA

1. The dwelling/dwelling unit shall contain safe heating and cooling facilities, which are in proper operating condition and can provide adequate heat and/or cooling to each room in the dwelling/dwelling unit appropriate for the climate to insure a healthy living environment.
2. Unvented room heaters that burn gas, oil or kerosene are unacceptable.

INTERPRETATION OF ACCEPTABILITY CRITERIA

3. All parts of the venting system for central heating/cooling units should be in proper working condition. For example:
   - Vent pipes should be free of rust and be properly maintained.
   - Where vent pipes are connected to a masonry chimney, that chimney should be properly maintained so that all mortar joints are tightly sealed.
4. No additions.
5. The attic should be insulated to a rating of R-30 with acceptable insulation material. Where cellulose is used, it should be tested for fire protection. Cellulose bags should be labeled with acceptable ratings derived from flame-spread tests.
6. Weather stripping should be applied as needed around all doors and windows.
7. Storm windows and doors should be installed whenever possible.
8. Any inside walls that are on an exterior wall, if opened down to the studs during the course of the rehabilitation, should be fully insulated with an acceptable insulation material.
9. All joints in the building envelope should be caulked/sealed. All brittle or loose caulking should be replaced.

10. Supply and return heating/air-conditioning ducts should be insulated whenever they run through unheated areas/spaces.
11. It is strongly recommended that whenever space heaters and/or floor furnaces are used, they be replaced with a properly installed more efficient central heating/cooling system.

I. SANITARY FACILITIES – The dwelling/dwelling unit shall include its own sanitary facilities, which are in proper operating condition, can be used in privacy, and are adequate or personal cleanliness and the disposal of human waste.

ACCEPTABILITY CRITERIA

1. A flush toilet in a separate, private room; a fixed basin with hot and cold running water; and a bathtub and/or shower with hot and cold running water, shall be present in the dwelling/dwelling unit, and shall be fully operational.
2. These facilities shall utilize an approved public or private disposal system.

INTERPRETATION OF ACCEPTABILITY CRITERIA

1. The toilet, basin, and tub or shower should all be located in the same room, if at all possible.
2. Where a public sewage system is not used, documentation in the file should show where the appropriate health agency has approved the disposal system.

J. SPACE AND SECURITY – The dwelling/dwelling unit shall afford the family adequate space and security.

ACCEPTABILITY CRITERIA

1. A living room, kitchen area, and bathroom shall all be present.
2. The dwelling/dwelling unit shall contain at least one sleeping or living/sleeping room of appropriate size for each two persons.
3. Exterior doors and windows accessible from outside the unit shall be lockable.
4. Each dwelling/dwelling unit should have smoke detectors. Where bedrooms are located on more than one floor of a structure, smoke detectors should be installed on each floor. It is recommended that all smoke detectors be U.L. approved and be hard-wired. U.L. approved battery type or a combination electric/battery type may also be used.

INTERPRETATION OF ACCEPTABILITY CRITERIA

1. No additions

K. FOOD PREPARATION AND REFUSE DISPOSAL – The dwelling/dwelling unit shall contain suitable space and equipment to store, prepare and serve foods in a sanitary manner. There shall be adequate facilities and services for the sanitary disposal of food waste and refuse, including facilities for temporary storage where necessary.

ACCEPTABLE CRITERIA

1. The unit shall contain the following equipment in operating condition: 1) cooking stove or range, 2) refrigerator or appropriate size for the unit supplied by either the owner or the tenant/family, and 3) kitchen sink with hot and cold running water.
2. The sink shall drain into an approved public or private system.
3. Adequate space for the storage, preparation and serving of food shall be provided.
4. There shall be adequate facilities and services for the sanitary disposal of food waste and refuse, including facilities for temporary storage where necessary (i.e. garbage cans).

INTERPRETATION OF ACCEPTABILITY CRITERIA

1. No additions made without City permits and not performed in a workmanlike manner.
2. Food storage space should be in the form of cabinets and/or pantry type storage. Food preparation space should be in the form of counters or other horizontal workspace.
3. No additions.

L. SANITARY CONDITION - The unit and its equipment shall be in sanitary condition.

ACCEPTABILITY CRITERIA

1. The unit and its equipment shall be free of vermin and rodent infestation.

INTERPRETATION OF ACCEPTABILITY CRITERIA

1. No additions not made without City permits.

CITY OF CHULA VISTA

APPENDIX L

HOUSING QUALITY STANDARDS (HQS)/CODE INSPECTION FORM

Inspector		Type of Inspection: ☐ Initial Inspection ☐ Re-Inspection	
Inspector Title	Funding Source ☐CDBG ☐HOME ☒NSP	Date of Inspection (mm/dd/yyyy)	Last Inspection (mm/dd/yyyy)

UNIT TO BE INSPECTED

Street Address and Unit		Housing Type:
City Chula Vista, CA	Zip	☐ Single Family Detached ☐ Condominium ☐ Row House or Town House ☐ Manufactured/Mobile Home ☐ Other: (specify)

Summary Decision on the Unit

City of Chula Vista Building Standards – Pass or Fail

☐ 1. Fail **If there are any checks under the column titled "Fail" the unit fails the local standards minimum standard. Discuss with the owner the repairs noted that would be necessary to bring the unit to standard.**

☐ 2. Concern **If there are no checks under the column titled "Fail" and there are checks under the column titled "Concern," obtain additional information necessary for a decision. Once additional information is obtained, change the rating for the item and record the date of verification a the far right of the form.**

☐ 3. Pass **If neither 1 or 2 above is checked, the unit passes.**

Unit Size _____

Year Constructed _____

How to fill out this checklist

Complete the checklist on the unit to be occupied or currently occupied by the tenant. Proceed through the inspection as follows:

Area	Checklist Category
Room by room	1. Living Room
	2. Kitchen
	3. Bathroom
	4. All other rooms (for living)
	5. All other rooms (not for living)
Outside	6. Building Exterior
Basement or utility room	7. Heating & Plumbing
Overall	8. General Health & Safety

Each part of checklist will be accompanied by an explanation of the item to be inspected.

Important: **For each item numbered on the checklist, check one box only.**

If the items "Fails" **write what repairs are necessary. If** "Concern" **write in details.**

Inspector Certification: **I certify physical inspection of the property located at the address above for compliance with the City of Chula Vista's local building standards.**

_____ **Inspector Signature**

_____ **Date**

BUILDING EXTERIOR

	DESCRIPTION	PASS OR FAIL	N/A	REPAIRS REQUIRED
1.	**GENERAL CONDITION** Is the exterior maintained in good repair, structurally sound, and sanitary?			
2.	**PROTECTIVE TREATMENT** Are all exterior surfaces, other than decay-resistant woods, protected from the elements and decay? Is any paint peeling, flaking, chipped, cracking, chalking or showing any other signs of paint deterioration? Is all siding, masonry, vinyl, wood, or other surfaces, maintained in good repair, weather resistant, and water tight? Are all metal surfaces treated to prevent rust and corrosion?			
3.	**FOUNDATION WALLS/SLABS** Are all foundation walls/slabs maintained plumb and free from open cracks? Are foundation vents in good repair and kept in such conditions so as to prevent the entry of rodents and other pests?			
4.	**EXTERIOR WALLS** Are all walls free from holes, breaks, and loose or rotting materials and maintained weatherproof and properly surface coated where required to prevent deterioration?			
5.	**SIDEWALKS & DRIVEWAYS** Are sidewalks, walkways, and driveways in a proper state of repair and maintained free from hazardous (trip) conditions?			
6.	**ROOF** Is the roof and flashing sound, tight, and not have defects that admit moisture to the interior of the structure?			
7.	**GUTTERS & DOWNSPOUTS** Are gutters and downspouts maintained in good repair and free from obstructions?			
8.	**PREMISE IDENTIFICATION** Does the building have 4" high and ½" wide address numbers placed in a position to be plainly seen from street and contrast with the building background?			
9.	**SOFFIT/FASCIA/DECORATIVE FEATURES / TRIM** Are all soffit, fascia cornices, belt courses, corbels, terra cotta trim, wall facings, and other similar decorative features, and trim maintained in good repair, properly anchored, and in a safe condition?			
10.	**STAIRWAYS, DECKS, PORCHES & BALCONIES** Are all exterior stairways, decks, porches, & balconies, and all appurtenances attached to, structurally sound, maintained in good repair, with proper anchorage, and capable of supporting imposed loads?			
11.	**SKYLIGHT** Are all skylights kept in sound condition, good repair, and weather tight?			
12.	**CHIMNEY** Are all chimneys structurally sound, safe, sound, and maintained in good repair? Are all exposed metal or wood surfaces protected against decay or rust by paint or other surface treatment?			

BUILDING EXTERIOR (continued)

	DESCRIPTION	PASS OR FAIL	N/A	REPAIRS REQUIRED
13.	**HANDRAILS & GUARDRAILS** Are handrails and guardrails firmly fastened, capable of supporting normal loads, and maintained in good repair? Do all stairways having more than four (4) risers have a handrail on one side? Do all open portion of a landing, balcony, porch, deck, ramp, or other walking surface more than 30" above grade have guardrails? If handrails are present, are they at less 30" and not more than 42" high? If guardrails are present, are they at less 30" or more above the floor of the landing, balcony, porch, deck, ramp, or other walking surface?			
14.	**DOORS** Are all doors, frames, and hardware kept in sound condition, good repair, and weather tight? Do all locks tightly secure the doors to provide security for the occupants and property within? Does each door have a deadbolt with a throw of not less than 1"? Can the deadbolt be operated from the inside without a key? If storm doors or screen doors are present, are they kept in sound condition, good repair, weather tight, and have a self-closing device in good condition?			
15.	**WINDOWS** Are all windows and frames kept in sound condition, good repair, and weather tight? Is all glazing present and maintained free from cracks and holes? Are all windows that provide ventilation to habitable rooms equipped with insect screens and kept in sound condition and good repair? If basement windows are present, are rodent shields or storm windows in sound condition, good repair, and weather tight?			
16.	**BASEMENT HATCHWAY (IF PRESENT)** Are basement hatchways maintained to prevent the entrance of rodents, rain, and surface drainage water? Are basement hatchways equipped with devices that secure the dwelling from unauthorized entry?			
17.	**FENCES/GATES (RENTAL ONLY)** Are all fences and gates maintained in sound condition and good repair?			
18.	**SANITARY DRAINAGE SYSTEM** Are all plumbing stacks, vents, waste and sewer line function properly, maintained in a safe, sanitary condition, and kept free from obstructions, leaks, and defects?			
19.	**WATER SUPPLY** Is the water supply system maintained in a safe, sanitary condition, kept free from obstructions, leaks, and defects? If hose bibs or faucets are installed, are the bibs and faucets protected by an approved atmospheric-type (freeze proof) vacuum breaker?			
20.	**ELECTRICAL SERVICE** Does a three-wire, 120/240 volt, single-phase electrical service with a rating of not less than 60 amperes, serve the dwelling? Is all equipment, wiring, and appliances properly installed and maintained in a safe condition?			

LIVING ROOM

	DESCRIPTION	PASS OR FAIL	N/A	REPAIRS REQUIRED
1.	**GENERAL CONDITION** Is the room maintained in good repair, structurally sound, and sanitary?			
2.	**INTERIOR SURFACE** Does any interior surfaces, including windows, doors, and trim have any paint peeling, flaking, chipped, cracking, chalking or showing any other signs of paint deterioration? Are all walls and ceiling surfaces free of cracks or loose plaster, decayed wood, or other defective surface conditions? Is all trim maintained in good repair, properly anchored, and in a safe condition? Are all floors sound and maintained in good repair? Are floor coverings sanitary, maintained in good repair, and free from hazardous (trip) conditions?			
3.	**WINDOWS** Are all window frames and trim kept in sound condition, good repair, and weather tight? Is weather stripping present and in good condition on all windows? Is there at least one (1) window facing directly outside, that has a minimum glazed area of 8% of the total floor area for ventilation and lighting? (Example: 100 sq. ft room must have 8 sq. ft of window glazing). Is there at least one (1) openable window that has a minimum opening of at least 45% of the minimum glazed area as required above? Are all operable windows easily opened and capable of being held in position by window hardware? Are all operable windows, located 6' or less above ground level, equipped with a working window sash-locking device?			
4.	**DOORS** Are all doors, frames, and hardware kept in sound condition and good repair? Do all doors fit reasonably well within its frame and are capable of being opened and closed by being properly and securely attached to jambs, headers or tracks as intended by the manufacturer of the attachment hardware? Is weather stripping present and in good condition on all exterior doors?			
5.	**ROOM WIDTH AND HEIGHT** Is the width of the room in any plan dimension less than 7'? Is the ceiling height less than 7'?			
6.	**ELECTRICAL RECEPTACLES/SWITCHES** Are there at least two working separate and remote receptacle outlets? Are all receptacles, switches, fixtures, and cover plates maintained in a safe condition and good repair? Is the room free from electrical hazards?			

DEN OR FAMILY ROOM

	DESCRIPTION	PASS OR FAIL	N/A	REPAIRS REQUIRED
1.	**GENERAL CONDITION** Is the room maintained in good repair, structurally sound, and sanitary?			
2.	**INTERIOR SURFACE** Does any interior surfaces, including windows, doors, and trim have any paint peeling, flaking, chipped, cracking, chalking or showing any other signs of paint deterioration? Are all walls and ceiling surfaces free of cracks or loose plaster, decayed wood, or other defective surface conditions? Is all trim maintained in good repair, properly anchored, and in a safe condition? Are all floors sound and maintained in good repair? Are floor coverings sanitary, maintained in good repair, and free from hazardous (trip) conditions?			
3.	**WINDOWS** Are all window frames and trim kept in sound condition, good repair, and weather tight? Is weather stripping present and in good condition on all windows? Is there at least one (1) window facing directly outside, that has a minimum glazed area of 8% of the total floor area for ventilation and lighting? (Example: 100 sq. ft room must have 8 sq. ft of window glazing). Is there at least one (1) openable window that has a minimum opening of at least 45% of the minimum glazed area as required above? Are all operable windows easily opened and capable of being held in position by window hardware? Are all operable windows, located 6' or less above ground level, equipped with a working window sash-locking device?			
4.	**DOORS** Are all doors, frames, and hardware kept in sound condition and good repair? Do all doors fit reasonably well within its frame and are capable of being opened and closed by being properly and securely attached to jambs, headers or tracks as intended by the manufacturer of the attachment hardware? Is weather stripping present and in good condition on all exterior doors?			
5.	**ROOM WIDTH AND HEIGHT** Is the width of the room in any plan dimension less than 7'? Is the ceiling height less than 7'?			
6.	**ELECTRICAL RECEPTACLES/SWITCHES** Are there at least two working separate and remote receptacle outlets? Are all receptacles, switches, fixtures, and cover plates maintained in a safe condition and good repair? Is the room free from electrical hazards?			

DINING ROOM

	DESCRIPTION	PASS OR FAIL	N/A	REPAIRS REQUIRED
1.	**GENERAL CONDITION** Is the room maintained in good repair, structurally sound, and sanitary?			
2.	**INTERIOR SURFACE** Does any interior surfaces, including windows, doors, and trim have any paint peeling, flaking, chipped, cracking, chalking or showing any other signs of paint deterioration? Are all walls and ceiling surfaces free of cracks or loose plaster, decayed wood, or other defective surface conditions? Is all trim maintained in good repair, properly anchored, and in a safe condition? Are all floors sound and maintained in good repair? Are floor coverings sanitary, maintained in good repair, and free from hazardous (trip) conditions?			
3.	**WINDOWS** Are all window frames and trim kept in sound condition, good repair, and weather tight? Is weather stripping present and in good condition on all windows? Is there at least one (1) window facing directly outside, that has a minimum glazed area of 8% of the total floor area for ventilation and lighting? (Example: 100 sq. ft room must have 8 sq. ft of window glazing). Is there at least one (1) openable window that has a minimum opening of at least 45% of the minimum glazed area as required above? Are all operable windows easily opened and capable of being held in position by window hardware? Are all operable windows, located 6' or less above ground level, equipped with a working window sash-locking device?			
4.	**DOORS** Are all doors, frames, and hardware kept in sound condition and good repair? Do all doors fit reasonably well within its frame and are capable of being opened and closed by being properly and securely attached to jambs, headers or tracks as intended by the manufacturer of the attachment hardware? Is weather stripping present and in good condition on all exterior doors?			
5.	**ROOM WIDTH AND HEIGHT** Is the width of the room in any plan dimension less than 7'? Is the ceiling height less than 7'?			
6.	**ELECTRICAL RECEPTACLES/SWITCHES** Are there at least two working separate and remote receptacle outlets? Are all receptacles, switches, fixtures, and cover plates maintained in a safe condition and good repair? Is the room free from electrical hazards?			

KITCHEN

	DESCRIPTION	PASS OR FAIL	N/A	REPAIRS REQUIRED
1.	**GENERAL CONDITION** Is the room maintained in good repair, structurally sound, and sanitary?			
2.	**INTERIOR SURFACE** Does any interior surfaces, including windows, doors, and trim have any paint peeling, flaking, chipped, cracking, chalking or showing any other signs of paint deterioration? Are all walls and ceiling surfaces free of cracks or loose plaster, decayed wood, or other defective surface conditions? Is all trim maintained in good repair, properly anchored, and in a safe condition? Are all floors sound and maintained in good repair? Are floor coverings sanitary, maintained in good repair, and free from hazardous (trip) conditions?			
3.	**WINDOWS** Are all window frames and trim kept in sound condition, good repair, and weather tight? Is weather stripping present and in good condition on all windows? Is there at least one (1) window facing directly outside, that has a minimum glazed area of 8% of the total floor area for ventilation and lighting? (Example: 100 sq. ft room must have 8 sq. ft of window glazing). Is there at least one (1) openable window that has a minimum opening of at least 45% of the minimum glazed area as required above? Are all operable windows easily opened and capable of being held in position by window hardware? Are all operable windows, located 6' or less above ground level, equipped with a working window sash-locking device?			
4.	**DOORS** Are all doors, frames, and hardware kept in sound condition and good repair? Do all doors fit reasonably well within its frame and are capable of being opened and closed by being properly and securely attached to jambs, headers or tracks as intended by the manufacturer of the attachment hardware? Is weather stripping present and in good condition on all exterior doors?			
5.	**ROOM WIDTH AND HEIGHT** Is the width of the room in any plan dimension less than 7'? Is the ceiling height less than 7'?			
6.	**ELECTRICAL RECEPTACLES/SWITCHES** Are there at least two working separate and remote receptacle outlets? Are all receptacles, switches, fixtures, and cover plates maintained in a safe condition and good repair? Is the room free from electrical hazards?			

KITCHEN (Continued)

	DESCRIPTION	PASS OR FAIL	N/A	REPAIRS REQUIRED
7.	**PLUMBING SYSTEM & FIXTURES** Does the kitchen have a sink, which is properly connected to a public utility service? Is the sink supplied with hot and cold running water? Are all plumbing fixtures, including drains and water lines, properly installed, maintained in working order, kept free from obstructions, leaks, and defects, safe, sanitary, and capable of performing the design function?			
8.	**COOKTOP, OVEN OR RANGE SERVICE** Is there a working connection for either gas or electrical service for installation of a cooktop, oven or a range? Are all service connections properly installed, of adequate size (electrical), maintained in a safe condition, good repair, free of leaks (gas), safe, and capable of performing the design function? Is the service free from electrical hazards?			
9.	**STOVE OR RANGE WITH OVEN (RENTAL ONLY)** Is there a working oven, and a stove (or range) with top burners that work?			
10.	**REFRIGERATOR (RENTAL ONLY)** Is there a refrigerator that works and maintains a temperature low enough so that food does not spoil over a reasonable period of time?			

MAIN BATHROOM

	DESCRIPTION	PASS OR FAIL	N/A	REPAIRS REQUIRED
1.	**GENERAL CONDITION** Is the room maintained in good repair, structurally sound, and sanitary?			
2.	**BATHROOM ACCESS** Do all occupants have access to at least one water closet and lavatory without passing through another bedroom?			
3.	**INTERIOR SURFACE** Does any interior surfaces, including windows, doors, cabinets, and trim have any paint peeling, flaking, chipped, cracking, chalking or showing any other signs of paint deterioration? Are all walls and ceiling surfaces free of cracks or loose plaster, decayed wood, or other defective surface conditions? Is all trim maintained in good repair, properly anchored, and in a safe condition? Are all floors sound and maintained in good repair? Are floor coverings sanitary, maintained in good repair, and free from hazardous (trip) conditions? Are all vanity countertops sanitary, maintained in proper condition, and good repair?			
4.	**WINDOWS** Are all window frames and trim kept in sound condition, good repair, and weather tight? Is weather stripping present and in good condition on all windows? Is there at least one (1) window facing directly outside, that has a minimum glazed area of 8% of the total floor area for ventilation? (Example: 30 sq. ft room must have 2.4 sq. ft of window glazing). Are all operable windows easily opened and capable of being held in position by window hardware? Are all operable windows, located 6' or less above ground level, equipped with a working window sash-locking device? Exception: In lieu of natural ventilation, artificial mechanical ventilation complying with building code is permitted. Is air exhausted by mechanical ventilation discharged to the outdoors and not recirculated?			
5.	**DOORS** Are all doors, frames, and hardware kept in sound condition and good repair? Does the door have an interior locking device? Do all doors fit reasonably well within its frame and are capable of being opened and closed by being properly and securely attached to jambs, headers or tracks as intended by the manufacturer of the attachment hardware?			
6.	**ROOM WIDTH AND HEIGHT** Is the ceiling height less than 7'? NOTE: There are no width requirements for bathrooms.			
7.	**ELECTRICAL RECEPTACLES/SWITCHES/ FIXTURES:** Is there an at least one working receptacle outlet? Is there at least one permanently attached working light fixture? Are all receptacles, switches, fixtures, and cover plates maintained in a safe condition and good repair? Is the room free from electrical hazards?			

MAIN BATHROOM (Continued)

8.	**PLUMBING SYSTEM & FIXTURES** Does the bathroom have a bathtub or shower, lavatory and water closet, which are properly connected to a public utility service? Are the tub or shower and lavatory supplied with hot and cold running water? Is the water closet supplied with cold running water? Are all plumbing fixtures, including drains and water lines, properly installed, maintained in working order, kept free from obstructions, leaks, and defects, safe, sanitary, and capable of performing the design function?			

MASTER BATHROOM

	DESCRIPTION	PASS OR FAIL	N/A	REPAIRS REQUIRED
1.	**GENERAL CONDITION** Is the room maintained in good repair, structurally sound, and sanitary?			
2.	**BATHROOM ACCESS** Do all occupants have access to at least one water closet and lavatory without passing through another bedroom?			
3.	**INTERIOR SURFACE** Does any interior surfaces, including windows, doors, cabinets, and trim have any paint peeling, flaking, chipped, cracking, chalking or showing any other signs of paint deterioration? Are all walls and ceiling surfaces free of cracks or loose plaster, decayed wood, or other defective surface conditions? Is all trim maintained in good repair, properly anchored, and in a safe condition? Are all floors sound and maintained in good repair? Are floor coverings sanitary, maintained in good repair, and free from hazardous (trip) conditions? Are all vanity countertops sanitary, maintained in proper condition, and good repair?			
4.	**WINDOWS** Are all window frames and trim kept in sound condition, good repair, and weather tight? Is weather stripping present and in good condition on all windows? Is there at least one (1) window facing directly outside, that has a minimum glazed area of 8% of the total floor area for ventilation? (Example: 30 sq. ft room must have 2.4 sq. ft of window glazing). Are all operable windows easily opened and capable of being held in position by window hardware? Are all operable windows, located 6' or less above ground level, equipped with a working window sash-locking device? Exception: In lieu of natural ventilation, artificial mechanical ventilation complying with building code is permitted. Is air exhausted by mechanical ventilation discharged to the outdoors and not recirculated?			
5.	**DOORS** Are all doors, frames, and hardware kept in sound condition and good repair? Does the door have an interior locking device? Do all doors fit reasonably well within its frame and are capable of being opened and closed by being properly and securely attached to jambs, headers or tracks as intended by the manufacturer of the attachment hardware?			
6.	**ROOM WIDTH AND HEIGHT** Is the ceiling height less than 7'? NOTE: There are no width requirements for bathrooms.			
7.	**ELECTRICAL RECEPTACLES/SWITCHES/ FIXTURES:** Is there an at least one working receptacle outlet? Is there at least one permanently attached working light fixture? Are all receptacles, switches, fixtures, and cover plates maintained in a safe condition and good repair? Is the room free from electrical hazards?			

MASTER BATHROOM (Continued)

8.	**PLUMBING SYSTEM & FIXTURES** Does the bathroom have a bathtub or shower, lavatory and water closet, which are properly connected to a public utility service? Are the tub or shower and lavatory supplied with hot and cold running water? Is the water closet supplied with cold running water? Are all plumbing fixtures, including drains and water lines, properly installed, maintained in working order, kept free from obstructions, leaks, and defects, safe, sanitary, and capable of performing the design function?			

BEDROOM #1

	DESCRIPTION	PASS OR FAIL	N/A	REPAIRS REQUIRED
1.	**GENERAL CONDITION** Is the room maintained in good repair, structurally sound, and sanitary?			
2.	**OCCUPANCY LIMITATIONS** Does bedroom have at least 70 sq. ft if occupied by one (1) person and at least 50 sq. ft. for each occupant, if occupied by more than one (1) person?			
3.	**BEDROOM ACCESS** Does bedroom have its own entrance without passing through another bedroom or bathroom?			
4.	**INTERIOR SURFACE** Does any interior surfaces, including windows, doors, and trim have any paint peeling, flaking, chipped, cracking, chalking or showing any other signs of paint deterioration? Are all walls and ceiling surfaces free of cracks or loose plaster, decayed wood, or other defective surface conditions? Is all trim maintained in good repair, properly anchored, and in a safe condition? Are all floors sound and maintained in good repair? Are floor coverings sanitary, maintained in good repair, and free from hazardous (trip) conditions?			
5.	**WINDOWS** Are all window frames and trim kept in sound condition, good repair, and weather tight? Is weather stripping present and in good condition on all windows? Is there at least one (1) window facing directly outside, that has a minimum glazed area of 8% of the total floor area for ventilation and lighting? (i.e.: 100 sq. ft room must have 8 sq. ft of window glazing) Is there at least one (1) openable window that has a minimum opening of at least 45% of the minimum glazed area as required above? Are all operable windows easily opened and capable of being held in position by window hardware? Are all operable windows, located 6' or less above ground level, equipped with a working window sash-locking device?			
6.	**DOORS** Are all doors, frames, and hardware kept in sound condition and good repair? Does the door have an interior locking device? Do all doors fit reasonably well within its frame and are capable of being opened and closed by being properly and securely attached to jambs, headers or tracks as intended by the manufacturer of the attachment hardware?			
7.	**ROOM WIDTH AND HEIGHT** Is the width of the room in any plan dimension less than 7'? Is the ceiling height less than 7'? EXCEPTION: In bedrooms with sloped ceilings, the ceiling height must be 7' over not less than 1/3rd of minimum floor area.			
8.	**ELECTRICAL RECEPTACLES/SWITCHES** Are there at least two working separate and remote receptacle outlets? Are all receptacles, switches, fixtures, and cover plates maintained in a safe condition and good repair? Is the room free from electrical hazards?			

BEDROOM #2

	DESCRIPTION	PASS OR FAIL	N/A	REPAIRS REQUIRED
1.	**GENERAL CONDITION** Is the room maintained in good repair, structurally sound, and sanitary?			
2.	**OCCUPANCY LIMITATIONS** Does bedroom have at least 70 sq. ft if occupied by one (1) person and at least 50 sq. ft. for each occupant, if occupied by more than one (1) person?			
3.	**BEDROOM ACCESS** Does bedroom have its own entrance without passing through another bedroom or bathroom?			
4.	**INTERIOR SURFACE** Does any interior surfaces, including windows, doors, and trim have any paint peeling, flaking, chipped, cracking, chalking or showing any other signs of paint deterioration? Are all walls and ceiling surfaces free of cracks or loose plaster, decayed wood, or other defective surface conditions? Is all trim maintained in good repair, properly anchored, and in a safe condition? Are all floors sound and maintained in good repair? Are floor coverings sanitary, maintained in good repair, and free from hazardous (trip) conditions?			
5.	**WINDOWS** Are all window frames and trim kept in sound condition, good repair, and weather tight? Is weather stripping present and in good condition on all windows? Is there at least one (1) window facing directly outside, that has a minimum glazed area of 8% of the total floor area for ventilation and lighting? (i.e.: 100 sq. ft room must have 8 sq. ft of window glazing) Is there at least one (1) openable window that has a minimum opening of at least 45% of the minimum glazed area as required above? Are all operable windows easily opened and capable of being held in position by window hardware? Are all operable windows, located 6' or less above ground level, equipped with a working window sash-locking device?			
6.	**DOORS** Are all doors, frames, and hardware kept in sound condition and good repair? Does the door have an interior locking device? Do all doors fit reasonably well within its frame and are capable of being opened and closed by being properly and securely attached to jambs, headers or tracks as intended by the manufacturer of the attachment hardware?			
7.	**ROOM WIDTH AND HEIGHT** Is the width of the room in any plan dimension less than 7'? Is the ceiling height less than 7'? EXCEPTION: In bedrooms with sloped ceilings, the ceiling height must be 7' over not less than 1/3rd of minimum floor area.			
8.	**ELECTRICAL RECEPTACLES/SWITCHES** Are there at least two working separate and remote receptacle outlets? Are all receptacles, switches, fixtures, and cover plates maintained in a safe condition and good repair? Is the room free from electrical hazards?			

BEDROOM #3

	DESCRIPTION	PASS OR FAIL	N/A	REPAIRS REQUIRED
1.	**GENERAL CONDITION** Is the room maintained in good repair, structurally sound, and sanitary?			
2.	**OCCUPANCY LIMITATIONS** Does bedroom have at least 70 sq. ft if occupied by one (1) person and at least 50 sq. ft. for each occupant, if occupied by more than one (1) person?			
3.	**BEDROOM ACCESS** Does bedroom have its own entrance without passing through another bedroom or bathroom?			
4.	**INTERIOR SURFACE** Does any interior surfaces, including windows, doors, and trim have any paint peeling, flaking, chipped, cracking, chalking or showing any other signs of paint deterioration? Are all walls and ceiling surfaces free of cracks or loose plaster, decayed wood, or other defective surface conditions? Is all trim maintained in good repair, properly anchored, and in a safe condition? Are all floors sound and maintained in good repair? Are floor coverings sanitary, maintained in good repair, and free from hazardous (trip) conditions?			
5.	**WINDOWS** Are all window frames and trim kept in sound condition, good repair, and weather tight? Is weather stripping present and in good condition on all windows? Is there at least one (1) window facing directly outside, that has a minimum glazed area of 8% of the total floor area for ventilation and lighting? (i.e.: 100 sq. ft room must have 8 sq. ft of window glazing) Is there at least one (1) openable window that has a minimum opening of at least 45% of the minimum glazed area as required above? Are all operable windows easily opened and capable of being held in position by window hardware? Are all operable windows, located 6' or less above ground level, equipped with a working window sash-locking device?			
6.	**DOORS** Are all doors, frames, and hardware kept in sound condition and good repair? Does the door have an interior locking device? Do all doors fit reasonably well within its frame and are capable of being opened and closed by being properly and securely attached to jambs, headers or tracks as intended by the manufacturer of the attachment hardware?			
7.	**ROOM WIDTH AND HEIGHT** Is the width of the room in any plan dimension less than 7'? Is the ceiling height less than 7'? EXCEPTION: In bedrooms with sloped ceilings, the ceiling height must be 7' over not less than 1/3rd of minimum floor area.			
8.	**ELECTRICAL RECEPTACLES/SWITCHES** Are there at least two working separate and remote receptacle outlets? Are all receptacles, switches, fixtures, and cover plates maintained in a safe condition and good repair? Is the room free from electrical hazards?			

BEDROOM #4

	DESCRIPTION	PASS OR FAIL	N/A	REPAIRS REQUIRED
1.	**GENERAL CONDITION** Is the room maintained in good repair, structurally sound, and sanitary?			
2.	**OCCUPANCY LIMITATIONS** Does bedroom have at least 70 sq. ft if occupied by one (1) person and at least 50 sq. ft. for each occupant, if occupied by more than one (1) person?			
3.	**BEDROOM ACCESS** Does bedroom have its own entrance without passing through another bedroom or bathroom?			
4.	**INTERIOR SURFACE** Does any interior surfaces, including windows, doors, and trim have any paint peeling, flaking, chipped, cracking, chalking or showing any other signs of paint deterioration? Are all walls and ceiling surfaces free of cracks or loose plaster, decayed wood, or other defective surface conditions? Is all trim maintained in good repair, properly anchored, and in a safe condition? Are all floors sound and maintained in good repair? Are floor coverings sanitary, maintained in good repair, and free from hazardous (trip) conditions?			
5.	**WINDOWS** Are all window frames and trim kept in sound condition, good repair, and weather tight? Is weather stripping present and in good condition on all windows? Is there at least one (1) window facing directly outside, that has a minimum glazed area of 8% of the total floor area for ventilation and lighting? (i.e.: 100 sq. ft room must have 8 sq. ft of window glazing) Is there at least one (1) openable window that has a minimum opening of at least 45% of the minimum glazed area as required above? Are all operable windows easily opened and capable of being held in position by window hardware? Are all operable windows, located 6' or less above ground level, equipped with a working window sash-locking device?			
6.	**DOORS** Are all doors, frames, and hardware kept in sound condition and good repair? Does the door have an interior locking device? Do all doors fit reasonably well within its frame and are capable of being opened and closed by being properly and securely attached to jambs, headers or tracks as intended by the manufacturer of the attachment hardware?			
7.	**ROOM WIDTH AND HEIGHT** Is the width of the room in any plan dimension less than 7'? Is the ceiling height less than 7'? EXCEPTION: In bedrooms with sloped ceilings, the ceiling height must be 7' over not less than 1/3rd of minimum floor area.			
8.	**ELECTRICAL RECEPTACLES/SWITCHES** Are there at least two working separate and remote receptacle outlets? Are all receptacles, switches, fixtures, and cover plates maintained in a safe condition and good repair? Is the room free from electrical hazards?			

UTILITY ROOM

	DESCRIPTION	PASS OR FAIL	N/A	REPAIRS REQUIRED
1.	**GENERAL CONDITION** Is the room maintained in good repair, structurally sound, and sanitary?			
2.	**INTERIOR SURFACE** Does any interior surfaces, including windows, doors, cabinets, and trim have any paint peeling, flaking, chipped, cracking, chalking or showing any other signs of paint deterioration? Are all walls and ceiling surfaces free of cracks or loose plaster, decayed wood, or other defective surface conditions? Is all trim maintained in good repair, properly anchored, and in a safe condition? Are all floors sound and maintained in good repair? Are floor coverings sanitary, maintained in good repair, and free from hazardous (trip) conditions? Are all vanity countertops sanitary, maintained in proper condition, and good repair?			
3.	**WINDOWS** Note: Utility rooms do not require windows. If windows are present, are all window frames and trim kept in sound condition, good repair, and weather tight? Is weather stripping present and in good condition on all windows? Are all operable windows easily opened and capable of being held in position by window hardware? Are all operable windows, located 6' or less above ground level, equipped with a working window sash-locking device?			
4.	**DOORS** Are all doors, frames, and hardware kept in sound condition and good repair? Do all doors fit reasonably well within its frame and are capable of being opened and closed by being properly and securely attached to jambs, headers or tracks as intended by the manufacturer of the attachment hardware?			
5.	**ROOM WIDTH AND HEIGHT** Is the ceiling height less than 7'? NOTE: There are no width requirements for this room.			
6.	**ELECTRICAL RECEPTACLES/SWITCHES/ FIXTURES:** Is there at least one working receptacle outlet? Is there at least one permanently attached working light fixture? Are all receptacles, switches, fixtures, and cover plates maintained in a safe condition and good repair? Is the room free from electrical hazards? Are all receptacles properly installed, of adequate size, and capable of performing the design function? Is the room free from electrical hazards?			
7.	**PLUMBING SYSTEM & FIXTURES** If the washer hook-up is installed in this room, are all plumbing fixtures, including drains and water lines, properly installed and connected to a public utility service, maintained in working order, kept free from obstructions, leaks, and defects, safe, sanitary, and capable of performing the design function? If washer hook-up is present, is the washer hook-up supplied with hot and cold running water?			

HALLS & STAIRWAYS

	DESCRIPTION	PASS OR FAIL	N/A	REPAIRS REQUIRED
1.	**GENERAL CONDITION** Are the halls and stairways maintained in good repair, structurally sound, and sanitary?			
2.	**INTERIOR SURFACE** Does any interior surfaces, including windows, doors, and trim have any paint peeling, flaking, chipped, cracking, chalking or showing any other signs of paint deterioration? Are all walls and ceiling surfaces free of cracks or loose plaster, decayed wood, or other defective surface conditions? Is all trim maintained in good repair, properly anchored, and in a safe condition? Are all floors sound and maintained in good repair? Are floor coverings sanitary, maintained in good repair, and free from hazardous (trip) conditions?			
3.	**WINDOWS (IF PRESENT)** Are all window frames and trim kept in sound condition, good repair, and weather tight? Is weather stripping present and in good condition on all windows? Are all operable windows easily opened and capable of being held in position by window hardware? Are all operable windows, located 6' or less above ground level, equipped with a working window sash-locking device?			
4.	**DOORS** Are all doors, frames, and hardware kept in sound condition and good repair? Do all doors fit reasonably well within its frame and are capable of being opened and closed by being properly and securely attached to jambs, headers or tracks as intended by the manufacturer of the attachment hardware?			
5.	**HALL WIDTH & HEIGHT** Is the width at least 36"? Is the ceiling height less than 7'?			
6.	**ELECTRICAL RECEPTACLES/SWITCHES** Is there at least one permanently attached working light fixture for the hall? Is there at least one permanently attached working light fixture for the stairway? Are all receptacles, switches, fixtures, and cover plates maintained in a safe condition and good repair? Is the hall and stairway free from electrical hazards?			
7.	**HANDRAILS & GUARDRAILS** Are handrails and guardrails firmly fastened, capable of supporting normal loads, and maintained in good repair? Do all stairways having more than four (4) risers have a handrail on one side? Do all open portion of a landing, balcony, or other walking surface more than 30" above floor level have guardrails? If handrails are present, are they at less 30" and not more than 42" high? If guardrails are present, are they at less 30" or more above the floor of the landing, balcony, or other walking surface?			

MISCELLANEOUS

	DESCRIPTION	PASS OR FAIL	N/A	REPAIRS REQUIRED
1.	**MEANS OF EGRESS** Are there at a minimum two (2) egress doors to the exterior? Do the egress doors open without the need for keys, special knowledge, or effort? If bars, grilles, grates, or other similar devices are installed on windows and doors, can the devices be released or removed from the inside without the use of a key, tool, or force greater than that which is required for normal operation?			
2.	**SMOKE ALARMS** Are smoke alarms installed on the ceiling or walls outside the immediate vicinity of bedrooms, in each bedroom, and in each story within a dwelling? Do smoke alarms receive primary power from the building electrical system? Exception: Smoke alarms are permitted to be solely battery operated in units which are not undergoing alterations, repairs, or construction of any kind. Are smoke alarms interconnected so that activation of one alarm will activate all the alarms? Exception: Smoke alarms are permitted to be solely battery operated in units which are not undergoing alterations, repairs, or construction of any kind.			
3.	**WATER HEATING FACILITIES** Are water heating facilities properly installed, maintained, and capable of providing adequate amount of water to be drawn at every required sink, lavatory, bathtub, shower, and laundry facility at a temperature of not less than 110 degrees? If a gas-burning water heater is installed, is it located in a non-authorized area such as a bathroom, toilet room, bedroom, or other occupied room normally kept closed? Does the water heater have an approved combination temperature and pressure-relief valve installed? Does the water heater have a relief discharge pipe properly installed and maintained? If a gas-burning water heater is installed, is a supply of air for complete combustion of fuel and for ventilation (flue vent) to exterior of the space provided? If electrical water heater is installed, is the electrical system properly installed, of adequate size, and capable of performing the design function?			
4.	**HEATING FACILITIES** Is there a heating system? Are cooking appliances being used to provide space heating? Is the heater capable of maintaining a room temperature of 68 degrees in all habitable rooms and bathrooms? If a gas-burning heater is installed, is it located in a non-authorized area such as a bathroom, toilet room, bedroom, or other occupied room normally kept closed? If a gas-burning heater is installed, is a supply of air for complete combustion of fuel and for ventilation (flue vent) to exterior of the space provided? If an electrical heater is installed, is the electrical system properly installed, of adequate size, and capable of performing the design function? If the heating system is located in the attic, is there at least one permanently attached working light fixture near the system? Is the thermostat installed properly, maintained in a safe working condition, and capable of performing the intended?			

MISCELLANEOUS (Continued)

	DESCRIPTION	PASS OR FAIL	N/A	REPAIRS REQUIRED
5.	**DUCT SYSTEMS** Are the duct systems maintained free of obstructions and capable of performing the required function?			
6.	**WASHER & DRYERS** If the washer hook-up is installed, are all plumbing fixtures, including drains and water lines, properly installed and connected to a public utility service, maintained in working order, kept free from obstructions, leaks, and defects, safe, sanitary, and capable of performing the design function? If washer hook-up is present, is the washer hook-up supplied with hot and cold running water? If washer hook-ups are installed, is there at least one (1) grounded-type receptacle or a receptacle with a ground fault interrupter? If the dryer hook-ups are installed, is the electrical system properly installed, of adequate size, and capable of performing the design function? If a clothes dryer is installed, is the exhaust independent of all other systems? Is the clothes dryer exhausted to the outside in accordance with manufacturer's instructions?			
7.	**MECHANICAL EQUIPMENT** Are all mechanical appliances, air conditioning systems, fireplaces, solid fuel-burning appliances, cooking appliances, water heating appliances properly installed, maintained in a safe working condition, and capable of performing the intended use? Are all required clearances to combustible material maintained? Are all safety controls for fuel-burning equipment maintained properly?			
8.	**MINIMUM SPACE REQUIREMENTS (RENTAL ONLY)** **Living Room**: 1-2 Occupant – No requirements. 3-5 Occupants – Does the living room have at least 120 sq. ft. of space? 6 or more Occupants - Does the living room have at least 150 sq. ft. of space? **Dining Area**: 1-2 Occupant – No requirements. 3-5 Occupants – Does the dining area have at least 80 sq. ft. of space? 6 or more Occupants - Does the living room have at least 100 sq. ft. of space? **Combination Living & Dining**: 1-2 Occupant – No requirements. 3-5 Occupants – Does the living room have at least 200 sq. ft. of space? 6 or more Occupants - Does the living room have at least 250 sq. ft. of space?			
9.	**INFESTATION** Is there any evidence of insect and/or rodent infestation?			
10.	**GARAGE** Are all doors, frames, and hardware kept in sound condition, good repair, and weather tight? Do all locks tightly secure the doors to provide security for the occupants and property within?			
11.	**PLANS/PERMITS/INSPECTIONS** All additions and/or conversions were built with required state and local permits and final inspections.			

Inspected by: _____ on this _____day of _____, 20__.

APPENDIX M

REHABILITATION GUIDELINES

The use of Neighborhood Stabilization funds allows for the rehabilitation of properties. Eligible property improvements can be made up to $24,999 (in addition to the required "gap funding") as part of the overall funding of the maximum loan threshold the family qualifies for through the Neighborhood Stabilization First-Time Homebuyer (NS FTHB) Program. All buyers of properties that anticipate applying for NS FTHB Rehabilitation will require a minimum of a 45 day escrow period. If the required repairs exceed $24,999 or the overall required funding to meet the "gap" financing and health and safety related repairs exceed the maximum qualifying threshold ($40,000 or $70,000) the property will become ineligible. The Program Administrator and lender will place a 90 day escrow hold on funds related to repairs, within which time the applicant will be required to make repairs.

Process

1. All households assisted through the NS FTHB Program are required to pay for a licensed third party inspection of the property. If the third party inspector identifies needed repairs that the buyer will not agree to make prior to the close of escrow, the applicant is eligible to apply for rehabilitation assistance, reference application on page M-5.

2. At time of application and confirmation of eligible repairs requested, the Program Administrator shall conduct an inspection to complete the HOUSING QUALITY STANDARDS (HQS)/CODE INSPECTION FORM, and provide a list of items that the applicant shall receive bids on.

3. The applicant will be required to receive three bids from licensed contractors approved by the City. Licensed contractors shall provide and update annually the following documents:
   a. State Contractor's License
   b. City of Chula Vista Business License
   c. Insurance, including:
      (a) General Liability insurance in the amount of $1Million dollars (Additional Insured Endorsement designating "City of Chula Vista, its elected officials, employees and volunteers");
      (b) Proof of Auto Liability insurance in the amount of $1 Million dollars; and
      (c) Proof of Worker's Compensation insurance.

   Contractors will also be required to sign an Acknowledgement regarding Policies for Participation including issues of the disbursement process and disputes between Contractors and their clients.

   New licensed contractors that are hired by Loan recipients must also be approved by the City and provide a copy of their State Contractor's License, City of Chula Vista Business License, insurance documentation, and sign all appropriate forms before beginning work.

4. Upon receipt of the three bids the applicant shall submit them to the Program Administrator for NS Rehabilitation Loan Committee ("Committee") review. The Committee shall meet on an as-needed basis to review applications and bids. The Committee is comprised of two City employees (one each from the Finance Department and Housing Authority) and one

employee from the Program Administrator staff. The purpose of the CHIP Committee is to review and approve work requests, and develop and implement rehabilitation guidelines.

5. Once the Committee has made their final determination for each application, the Program Administrator shall endeavor to provide written notice of the results to each applicant within two days. For applicants that have been approved, an Affidavit of Responsibility shall be included in the correspondence. All documents must be signed and returned before final escrow closing.

   The Affidavit of Responsibility requires that the Loan recipient indemnify, hold harmless and release the City from any claims or losses for any disputes that might arise from the work funded by the loan. This includes any dispute between the borrower and a contractor regarding the quality of work and materials. Each recipient must indicate which contractor they have chosen to conduct work and to sign and date the Affidavit of Responsibility.

6. Once staff has received the signed documents, a letter must be sent to the licensed contractor, which indicates the name of the borrower, address, loan amount, and the process for payment. This letter should be sent within two days of receipt of the Affidavit of Responsibility.

7. At this point it is the responsibility of the applicant/borrower to contract with the contractor to complete work at least 2 weeks prior to the end of the escrow hold period.

8. At completion of repairs the contractor shall complete the standard "Payment Request Form", which the licensed contractor must use to itemize each repair and associated cost that the bid estimate is being provided for. Upon completion of all repairs, as appropriate, the licensed contractor must have the borrower sign the payment invoice and Payment Request. This will help to ensure that the borrower is aware of what is being indicated as work completed and the repairs that are being paid for.

9. The licensed contractor must then submit the invoice for payment to the Program Administrator.

10. The Program Administrator will schedule an inspection with the borrower to confirm all work has been completed.

11. The Program Administrator will prepare a two-party check that shall be made payable to the contractor.

<u>Eligible Repairs</u>

All repairs made must be in compliance with state and local law and shall be made in the following order:

1. First priority is the elimination of California Health/Safety hazards and code violations. This may include the following major systems or building components:
   a. Structural: foundations, footings, chimneys, framing, siding, subfloors, roof diaphragm, retaining walls, etc.
   b. Plumbing: drain, waste, and vent systems, hot and cold water pipes, drainage systems, plumbing fixtures, bathtubs, sinks, toilets, hot water heaters, etc.
   c. Mechanical: heating and air conditioning to include any built-in, floor, central, wall gas or electric unit.

d. Electrical: safe adequate wiring, service panel/amperage for modern conveniences, service entrance, receptacles and, interior/exterior lighting.
e. Interior/Exterior building components: floor coverings, ranges/refrigerators, garbage disposal, kitchen cabinets, counter tops, vanities, drywall, painting, doors, windows, weatherization, smoke alarms, security bars, hazardous building construction materials, concrete work and fencing etc.
f. Required Lead-Based Paint remediation.

2. Second priority is the elimination of potential violations. These work items would include all of the work mentioned above that are not code violations today, but will become violations at some time in the near future (two years or less). Examples include:
   a. A roof covering that has reached its life expectancy, but shows no sign of leaking.
   b. Floor covering that is excessively worn and in a reasonably short period of time will no longer be effective for the intended use.
   c. Kitchen counter tops, appliances, bath vanities or tub surrounds which show pitted or worn surfaces but are not bad enough to classify as a code violation.
   d. Paint that is aged near its useful life expectancy but remains a washable surface and provides adequate water and weather protection.

3. Third priority is energy and/or water conservation improvements. These conservation improvements or repairs include insulation, water saving toilets or other fixture, energy-efficient appliances, water heaters and xeriscope yard improvements.

4. Fourth priority is general property improvements. General property improvements are those items which cannot be classified in the first three categories but by their inclusion enhance the exterior or interior appearance of the dwelling or occupancy of the inhabitants. For the most part, general property improvements are limited to funding sources that allow them. In all cases the work must be justified. "Luxury" items are not allowed. Some examples of general property improvements are:
   a. Dishwashers (dishwashers may be a higher priority depending on circumstances i.e., medical needs or replacement of an existing non-functioning unit).
   b. Upgrading floor covering that may not be a safety or incipient violation.
   c. Upgrading of obsolete kitchen cabinets that are in good to fair condition.

Termite Repairs – a Termite Inspection Report is required and is prepared for every home by a licensed inspector. The report should identify any termite or dry rot damaged wood members in the home as well as whether or not there are any active termite infestations in the home. Any termite or dry rot damaged wood members in the home are required to be replaced or repaired due to the health and safety risk they pose to the structural integrity of the home. Fumigation or other treatments recommended to eliminate any active termite infestations are required.

Lead-Based Paint - use of NS FTHB funds requires strict adherence to the Federal Lead-Based Paint Hazard Reduction Act of 1992, also known as Title X of the Housing and Community Development Act of 1992. The primary reason why the Department of Housing and Urban Development (HUD) and its grantees need to address the presence of lead-based paint and lead-based paint hazards is to protect children and families. In addition, addressing the presence of lead-based paint and lead-based paint hazards also reduces liability, reduces insurance costs, and ensures compliance with Title X as mandated by HUD. The major types of requirement, per the revised September 15, 1999, HUD regulations, are as follows:

1. Notification

2. Identification of defective paint surfaces
3. Treatment of defective paint surfaces
4. Response to Elevated Blood Level (EBL) children
5. Other Lead Based Paint Requirements:
    a. Occupant protection
    b. Worker protection
    c. Work area containment
    d. Document maintenance

The following Table demonstrates the steps necessary in evaluating and correcting lead-based paint in relation to the dollar amount spent on the rehabilitation of the property.

	< $5,000	$5,000- $25,000
Approach to Lead Hazard Evaluation and Reduction	Do no harm	Identify and control lead hazards
Notification	Yes	Yes
Lead Hazard Evaluation	• Paint testing of surfaces to be disturbed by rehabilitation	• Paint Testing of surfaces to be disturbed by rehabilitation • Risk Assessment
Lead Hazard Reduction	• Repair surfaces disturbed during rehabilitation • Safe work practices • Clearance of work site	• Interim controls • Safe work practices • Clearance of unit
Ongoing Maintenance	For HOME rental Programs Funded	Properties only By Other
EBL	No	No
Options	• Presume lead-based paint • Use safe work practices on all surfaces	• Presume lead-based paint and/or hazards • Use standard treatments

Ineligible Items – There are specific items that may or may not be allowed as eligible work and are determined by need, circumstances and individual program parameters. These items include:

1. Room Additions
2. Patio Covers and Slabs (replacement only unless existing conditions can be documented/justified and authorized by the CHIP Committee)
3. Landscaping (except in the case of xeriscope yard improvements)
4. Garages and Carports
5. Window Coverings

The following items are ineligible under most programs offered by the City:

1. Luxury materials, appliances, etc.
2. Replacement of items in "like new" condition early in to normal life expectancy
3. Mirrored closet doors
4. Greenhouses/swimming pools/tennis courts
5. Animal kennels/cages/runs
6. Saunas/spas/sunken tubs
7. Outdoor fireplaces/barbecues/wet bars
8. Trash compactors
9. Security systems

NEIGHBORHOOD STABILIZATION FIRST-TIME HOMEBUYER (NS FTHB)
REHABILITATION PROGRAM APPLICATION*

CITY OF CHULA VISTA

APPLICANT (S)

_____

First Name Middle Last Name

_____

Property Address City State Zip Code

_____

Home Phone Work Phone Other Phone

PROPERTY INFORMATION

Year Built _____ # of Bedrooms_____ # of Bathrooms_____

Proposed Purchase Price $_____

ACKNOWLEDGEMENT AND AGREEMENT

By signing below you certify the following:

The undersigned specifically acknowledge(s) and agree(s) that: (1) the loan requested by this application will be secured by a deed of trust on the property; (2) verification or re-verification of any information contained in the NS FTHB and/or NS FTHB Rehabilitation Program application may be made at any time by the City, its agents, successors and assigns, either directly or through a credit reporting agency, from any source named in this application, and the original copy of this application will be retained by the City, even if the loan is not approved; (3) the City, its agents, successors and assigns will rely on the information contained in the application and I/we have a continuing obligation to amend and/or supplement the information provided in this application if any of the material facts which I/we have represented herein should change prior to closing; (4) I/we have paid for a third party inspection of the property as attached to this application; and (5) I/we agree to complete any work required in compliance with requirements of the NS FTHB Rehabilitation Program.

Certification: **I/We certify that the information provided in this application is true and correct as of the date set forth opposite my/our signature(s) on this application and acknowledge my/our understanding that any intentional or negligent misrepresentation(s) of the information contained in this application may result in civil liability and/or criminal penalties including but not limited to, fine or imprisonment or both under the provisions of Title 18, United States Code, section 1001, et seq. and liability for monetary damages to the City, its agents, successors and assigns, insurers and any other person who may suffer any loss due to reliance upon any misrepresentation which I/we have made on this application.**

X **X**

Borrower's Signature Date **Borrower's Signature Date**

Applications are not deemed complete without attachment of a third party inspection.

APPENDIX N

NEIGHBORHOOD STABILIZATION FIRST-TIME HOMEBUYER PROGRAM REGULATORY AGREEMENT

FREE RECORDING REQUESTED PURSUANT TO GOVERNMENT CODE SECTION 27383

WHEN RECORDED PLEASE MAIL TO:

City of Chula Vista
Redevelopment and Housing
276 Fourth Avenue
Chula Vista, CA 91910

(SPACE ABOVE FOR RECORDER'S USE ONLY)

APN: XXX-XX-XX FTHB # XXXX-XXXX

HOMEOWNER'S REGULATORY AGREEMENT FOR NEIGHBORHOOD STABILIZATION PROGRAM PARTICIPATION

THIS REGULATORY AGREEMENT ("REGULATORY AGREEMENT" OR "AGREEMENT") IS ENTERED INTO AS OF THIS ____ DAY OF **XXXXXX 20XX** BETWEEN THE **CITY OF CHULA VISTA**, A MUNICIPAL CORPORATION ("CITY"), AND A QUALIFYING HOUSEHOLD, ON BEHALF IF ITSELF AND **XXXXXXXXXXXXXXXX** ("OWNER").

PREFACE

WHEREAS, the City has received a formula Neighborhood Stabilization Program (NSP) allocation from the Federal Department of Housing and Urban Development to carry out eligible activities in accordance with program requirements, and

WHEREAS, the Owner is interested in participating in the City's NSP Program, and will comply with all program rules and requirements, and

WHEREAS, the City and Owner have entered into a Deferred Loan Agreement dated XXXXXXX _____, 20XX (the "Loan Agreement"), pursuant to which City will make a certain loan to Owner; and

WHERAS, Owner will use the proceeds of such loan for the acquisition of the real property with the street address of XXXXXXX, Chula Vista, California 9191X, more particularly described in Exhibit A attached and incorporated by this reference ("Property"), and other costs as provided in the Loan Agreement; and

WHEREAS, as further consideration for the loan and to further the interests of City, Owner has agreed to enter into and record this Agreement; and

Initials _____

WHEREAS, the purpose of this Agreement is to regulate and restrict the occupancy and ownership of the project for the benefit of project occupants and the people of the City of Chula Vista.

The covenants in this Agreement are intended to run with the land and be binding on Owner for the full term of this Agreement.

NOW, THEREFORE, THE PARTIES MUTUALLY AGREE AS FOLLOWS;

Owner shall receive City Neighborhood Stabilization Program funds for investment in real property owned by the Owner, as evidenced by legal title or a valid contract of sale. Acting in this capacity, the Owner will comply with all aspects of NSP Federal Register Notice 73 FR 58330 and the Department of Housing and Urban Development (HUD) regulations, including the following:

A. DEFINITIONS

The following terms have the meanings and content set forth in this Section A where used in this Agreement or attached exhibits.

1. **"AREA MEDIAN INCOME"** means the median income for the San Diego County Primary Metropolitan Statistical Area (PMSA), with adjustments for household size, as adjusted from time to time by the U.S. Dept. of Housing and Urban Development (HUD).
2. **"CITY"** is the City of Chula Vista, a municipal corporation.
3. **"DEED OF TRUST"** means any deed of trust, assignment of rents, and security agreement placed on the Property or any part thereof as security for any Loan and other obligations with Owner as trustor and the City as beneficiary, as well as any amendments to, modification of, and restatements of said deed (s) of trust.
4. **"EFFECTIVE PERIOD" or "PERIOD OF AFFORDABILITY"** means the period commencing on the date of this agreement and ending fifteen (15) years after the recordation of this document, or at time of sale or transfer, as approved by the City of Chula Vista.
5. **"EIGHTY PERCENT OF AREA MEDIAN INCOME"** means annual income, which does not exceed eighty percent (80%) of the Area Median Income.
6. "HUD" means the United States Department of Housing and Urban Development.
7. **"HOMEOWNER INVESTMENT"**: homeowner's initial down payment.
8. **"HOUSE"** means a residential dwelling unit that is located on the Property.
9. **"LOAN"** is any loan of funds provided by the City to any Owner for the purchase of any House.
10. **"LOAN AGREEMENT"** means any loan agreement executed by any Owner and the City which governs any Loan, as well as any amendments to, modifications of, or restatements of said loan agreement(s). The Loan Agreements will be on file with the City of Chula Vista.
11. **"LOAN DOCUMENTS"** are collectively the Loan Agreement, Deed of Trust, Note, Note Rider, this Agreement and any loan agreement, deed of trust, or promissory note entered into between the City and Owner with respect to any of the Property, as they may be amended, modified or restated from time to time, along with all exhibits and attachments to these documents.
12. "**NEIGHBORHOOD STABILIZATION"**: funds received pursuant to the Neighborhood Stabilization Program under the Department of Housing and Urban Development (HUD), codified at 42 U.S.C. Section 12701, et seq., 24 CFR Part 92, to provide funds for affordable housing.

Initials _____

13. **"NOTE"** means the promissory note and note rider executed by Owner in favor of the City evidencing any part of a Loan, which is secured by a Deed of Trust, as well as any amendments to, modifications or, or restatements of said promissory note. The Notes will be on file with the City of Chula Vista.
14. **"ONE HUNDRED TWENTY PERCENT OF AREA MEDIAN INCOME"** means annual income, which does not exceed one hundred twenty percent (120%) of the Area Median Income.
15. **"OWNER"** or **"OWNERS"** is the qualifying household that is the purchaser of a House within the Project.
16. **"PROJECT"** means the purchase of the Property, which will be affordable to households earning at or below One hundred and twenty Percent (120%) of Area Median Income.
17. **"PROPERTY"** means the real property located at: XXXXXXXX, Chula Vista, California 9191X, and described in the attached Exhibit A, which is hereby incorporated into this Agreement by this reference, and any buildings or improvements now or hereafter situated on said real property.
18. **"QUALIFYING HOUSEHOLD"** means a household whose income is Eighty Percent of Area Median Income, as determined periodically by HUD, who is otherwise eligible to purchase a House.
19. **"QUALIFYING SALES PRICE"** means a sales price that does not exceed 95% of the median purchase price for the area, as determined by HUD.

B. TERM OF AGREEMENT

The term of this Agreement shall remain in full force and effect during the Effective Period regardless of any expiration of the term of any Loan, any payment or prepayment of any Loan, any assignment of a Note, any reconveyance of a Deed of Trust, or any sale, assignment, transfer, or conveyance of the Property, unless terminated earlier by City in writing or extended by the mutual consent of the parties. However, failure to record this Agreement by City shall not relieve Owner of any of the obligations specified herein. The covenants in this Agreement will run with the land for the benefit of City and its heirs, assigns and successors and be binding on Owner and Owner's heirs, assigns and successors for the full term of this Agreement.

C. USE OF FUNDS

NSP Funds will be used to acquire the Property. Funds will be utilized in a soft second assistance program, which will effectively allow the Qualifying Household to acquire the Property.

D. AFFORDABILITY

1. The House will qualify as affordable housing and will have:
   a. an initial purchase price that is a Qualifying Sales Price; and
   b. an estimated appraised value at acquisition that does not exceed Qualifying Sales Price.
2. The House must be the principal residence of an Owner that is a Qualifying Household at the time of purchase.
3. The deferred Loan for the NSP-assisted House is $ XXXXXX.
4. Pursuant to 24 CFR 92.254 the use of NSP funds in a homeownership transaction carries a period of affordability for projects. This Section D will apply for the term of the Effective Period (15 years).

E. RECAPTURE OF NSP FUNDS

Initials _____

1. Pursuant to 24 CFR 92.254(a)(ii), the City of Chula Vista requires that NSP funds be recaptured if the housing does not continue to be the principal residence of the family for the duration of the Period of Affordability. If all or any part of the Property or any interest in it is sold, rented, refinanced, conveyed or transferred (or if a beneficial interest in Borrower is sold, rented, refinanced, conveyed, or transferred and Borrower is not a natural person), the "Equity", as hereafter defined, in the Property shall be shared between the Borrower and the City on the following basis:

# Months After Date of Agreement	Buyer's Equity Share (Increases 5% per year)	City of Chula Vista Equity Share (Decreases 5% per year)
0-12	**0%**	**100%**
13-24	**5%**	**95%**
25-36	**10%**	**90%**
37-48	**15%**	**85%**
49-60	**20%**	**80%**
61-72	**50%**	**50%**
73-84	**55%**	**45%**
85-96	**60%**	**40%**
97-108	**65%**	**35%**
109-120	**70%**	**30%**
121-132	**75%**	**25%**
133-144	**80%**	**20%**
145-156	**85%**	**15%**
157-168	**90%**	**10%**
169-180	**95%**	**5%**
Thereafter	**100%**	**0%**

If, for example, the Property is sold, rented, refinanced, conveyed, or transferred within the first year the term of the Note secured by this Deed of Trust, Borrower shall receive zero percent (0%) of the Equity in the Property and the City shall receive one hundred percent (100%) of the Equity. "Equity" is defined as the dollar amount that constitutes the difference between the sales price of the Property and the sum of the following amounts:

a. principal on the First Note and the Deed of Trust; and

b. principal on this Second Note and Deed of Trust to the City of Chula Vista; and

c. all costs of sale, including costs of brokers' commissions, escrow fees, title costs and fees, recording costs, etc.; and

d. current year taxes, including all pro-rata real estate taxes calculated to the date of sale; and

e. borrower's down payment not including the loan from the City to Borrower; and

f. all principal paid down on the First Note and Deed of Trust; and

g. costs of any improvements to the Property, provided such improvements were approved by the City prior to construction and provided that such improvements have been documented to the satisfaction of the City.

The amount of the Borrower's share in the Equity of the Property shall increase by five percent (5%) per year, measured on the anniversary date of this Deed of Trust. Correspondingly, the City's share in the equity of the Property shall decrease by five percent (5%) per annum. For the sake of example, if the Property is sold more than ten (10) but less than eleven (11) years after the date of this Deed of Trust, the City would have a twenty

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five percent (25%) share in the Equity and the Borrower would have a seventy five percent (75%) share in the Equity of the Property.

In the event that no Equity exists at the time of transfer or sale, the NSP funds (item 1b above) will still be due and payable. In the event that a negative Equity situation exists, and the full amount of the NSP funds are not available to be recaptured, the amount of NSP funds required to be repaid to the City will be as set forth in 24 CFR 92.254(a)(ii)(A)(3). The formulas are as follows:

$$\frac{\text{NSP investment}}{\text{NSP investment + homeowner investment}} \times \text{Net proceeds} = \text{NSP amount to be recaptured}$$

$$\frac{\text{Homeowner investment}}{\text{NSP investment + homeowner investment}} \times \text{Net proceeds} = \text{amount to homeowner}$$

"NSP investment" is defined funds received pursuant to the NSP Program.

"Homeowner investment" is defined as the amount of down payment made by the owner.

Provided that Borrower is not in default under the terms of the Note and loan documents, the Note interest/equity share shall be forgiven in its entirety and interest in the equity of the Property shall be relinquished by the City fifteen (15) years from the date of the execution of the Note, with only principle remaining due and payable upon transfer, as provided in Section 5 of the Note.

F. PROPERTY MANAGEMENT

1. **Maintenance and Security**. During the Effective Period, Owner shall at his or her own expense maintain the Property in good condition, in good repair, and in decent, safe, sanitary and habitable living conditions for the benefit of that Owner's household and any prospective occupants. Owner shall maintain the Property in conformance with all applicable state, federal and local laws, ordinances, codes and regulations.
2. In the event that Owner fails to maintain the Property in accordance with these standards and after at least thirty (30) business days prior notice to Owner, the City or the City's contractor or agent may, but shall be under no obligation to, enter upon the Property, make such repairs or replacements as are deemed necessary in the City's discretion, and provide for payment thereof. Any amount advanced by the City to make such repairs, together with interest thereon from the date of such advance at the rate of seven (7) percent (unless payment of such an interest rate would be contrary to applicable law, in which event such sums shall bear interest at the highest rate then allowable by applicable law), shall become an additional obligation of the Owner to the City and shall be secured by any Deed of Trust, if not previously reconveyed.

G. REPAYMENTS

NSP funds that are loaned to the Owner are to be remitted (principal and interest, as warranted) to the City to be retained and used as program income for additional First-Time Homebuyers.

H. PROJECT REQUIREMENTS

Compliance with the following project requirements is required as follows:

1) Maximum per-unit subsidy amount. The amount of NSP funds that a participating jurisdiction may invest on a per-unit basis in affordable housing will not exceed the per-unit dollar limits established by NSP.

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2) Property Standards. Housing that is assisted with NSP funds, at a minimum, must meet Section 8 Housing Quality Standards.

3) Property Cost Limits. The value of acquisition and development of the housing units must not exceed ninety-five percent (95%) of the median purchase price for the area, as determined by HUD and amended from time to time.

4) Occupancy Requirements. The NSP Program requires that occupancy standards must be maintained for the Effective Period for each of the assisted Houses as follows:

   (1) The prospective purchaser must be moderate or low income; that is, the purchaser must have an annual (gross) income that does not exceed One Hundred Twenty Percent (120%) or Eighty Percent (80%) of Area Median Income, which will be determined at either the time the household initially occupies the property or at the time the NSP funds are invested; whichever is later.

   (2) Each Owner must occupy the property as a principal residence. Only loan default and subsequent foreclosure negates the principal residence limitation.

   (3) The property will remain affordable, pursuant to this covenant for not less than the Effective Period, as specified by the affordability schedule as 24 CFR Section 92.252(a)(5).

6) Ownership Interest. The purchaser must have fee simple title upon sale of a NSP-assisted unit or cooperative ownership interest upon sale of a NSP-assisted unit.

7) Refinance. The City will subordinate to the following refinance situations only, subject to City approval and additional documentation is required:

   (1) FHA streamline refinance, with a reduction in total PITI and no cash out.

   (2) VA rate reduction refinance, with a reduction in total PITI and no cash out.

   (3) Conventional rate and term refinance, with a reduction in total PITI and no cash out.

I. REVERSION OF ASSETS.

Owner must transfer to the City any NSP funds remaining in the Property after the time of expiration of the Effective Period when there is a change to title on the Property or any sale, rental, refinance, conveyance or transfer of Property. Any funds received as a result of this reversion of assets shall be used for additional NSP-eligible activities.

J. DEFAULTS AND REMEDIES.

In the event of any breach or violation of any agreement or obligation under this Agreement, the City may proceed with any or all of the remedies as described in paragraph 18 of the Deed of Trust.

K. NON-LIABILITY OF OFFICIALS, EMPLOYEES AND AGENTS.

No officer, official, director, employee, agent or representative of the City shall be personally liable to Owner for any obligation created under the terms of this Agreement except in the case of actual fraud or willful misconduct by such person.

L. INDEMNITY.

Notwithstanding the insurance coverage required herein, Owner shall indemnify and hold the City and its officers, officials, directors, employees, agents and authorized representatives (each, an "Indemnified Party," and collectively, "Indemnified Parties"), free and harmless against any losses, damages, liabilities, claims, demands, judgments, actions, court costs, and legal or other expenses (including attorney's fees) which any Indemnified Party may incur as a direct or indirect consequence of (1) Owner's failure to perform any obligations as and when required by this Agreement; (2) any failure of any of Owner's representations or warranties to be true and complete; or (3) any act or omission by Owner or any contractor, subcontractor, management agent, or supplier with respect the Property, except where such losses are caused by the sole negligence or

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willful misconduct of Indemnified Parties. Owner shall pay immediately upon the City's demand any amounts owing under this indemnity. The duty of the Owner to indemnify includes the duty to defend Indemnified Parties in any court action, administrative action, or other proceeding brought by any third party arising from the Property. Owner's duty to indemnify Indemnified Parties shall survive the term of this Agreement.

M. SUBORDINATION

This Agreement shall be subordinated in priority only to the liens and encumbrances approved by the City in the Loan Agreement or otherwise in writing by the City in its sole and absolute discretion.

N. GENERAL PROVISIONS

1. **Governing Law**. This Agreement shall be interpreted under and be governed by the laws of the State of California, except for those provisions relating to choice of law and those provisions preempted by federal law.
2. **This Agreement Controls**. In the event that any provisions of this Agreement and any Loan Documents conflict, the terms of this Agreement shall control.
3. **Time**. Time is of the essence in this Agreement.
4. **Consents and Approvals**. For those provisions of this agreement which are expressly subject to consent or approval of the City, said consent or approval shall not be unreasonably withheld. Any approval must be in writing and executed by an authorized representative of the City.
5. **Notices, Demands and Communications**. Formal notices, demands and communications between Owner and the City shall be sufficiently given and shall not be deemed given unless dispatched by mailing it first class mail or by certified mail, return receipt requested, to the principal offices of Owner and City as follows:

   City of Chula Vista
   Redevelopment and Housing
   276 Fourth Avenue
   Chula Vista, CA 91910

   New Owner: XXXXXXXXXXXXXXXX
   Address: XXXXXXXXXXXXX
   Chula Vista, CA 9191X

   Any such written communications by mail shall be conclusively deemed to have been received by the addressee five days after the deposit thereof in the United States Mail, postage prepaid and properly addressed as noted above.
6. **Severability**. Every provision of this Agreement is intended to be severable. If any provision of this Agreement shall be held invalid, illegal, or unenforceable by a court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired.
7. **Attorney's Fees.** In the event of any litigation over the performance of this Agreement, the prevailing party shall be entitled to attorney's fees and costs incurred during the course of litigation.

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IN WITNESS HEREOF, The City and the Borrower have executed this Agreement as of the date first hereinafter set forth.

CITY OF CHULA VISTA,
a municipal corporation

_____
City Manager

OWNER:

_____
Name

_____
Name

_____
Name

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ACKNOWLEDGMENT:

STATE OF CALIFORNIA)
COUNTY OF SAN DIEGO)

On _____ before me, _____, a Notary Public, personally appeared _____ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) subscribed to the within instrument, and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the persons acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

_____
Signature of Notary

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ACKNOWLEDGMENT:

STATE OF CALIFORNIA)
COUNTY OF SAN DIEGO)

On _____, 20XX before me, XXXXXXXXX, City Clerk, personally appeared XXXXXXXXXXX, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument, the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct

WITNESS my hand and official seal

_____
City Clerk of the City of Chula Vista

(SEAL)

FTHB # XXXX-XXXX
APN: XXX-XXX-XX-XX

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Legal Description

"ATTACHMENT A"

(must be attached prior to recordation)

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APPENDIX O

NIEGHBORHOOD STABILIZATION FIRST-TIME HOMEBUYER PROGRAM
DEED OF TRUST

FREE RECORDING REQUESTED PURSUANT TO GOVERNMENT CODE SECTION 27383

WHEN RECORDED PLEASE MAIL TO:

City of Chula Vista
Redevelopment and Housing
276 Fourth Avenue
Chula Vista, CA 91910

(SPACE ABOVE FOR RECORDER'S USE ONLY)

APN: XXX-XX-XX **FTHB # XXXX-XXXX**

NOTICE: THIS DEED OF TRUST SECURES A SHARED APPRECIATION LOAN WITHIN THE MEANING OF CIVIL CODE SECTION 1917, ET SEQ.

DEED OF TRUST
(SHARED APPRECIATION)

THIS DEED OF TRUST, is made this XX day of XXXXX, 20XX, among the Trustor(s), XXXXXXXX (herein "Borrower"), and the City of Chula Vista (herein "Beneficiary") a public body, corporate and politic, whose address is 276 Fourth Avenue, Chula Vista, CA 91910.

BORROWER, in consideration of the indebtedness herein recited and the trust herein created, irrevocably grants and conveys to Trustee, in trust, with power of sale, the following described property located in the City of Chula Vista, County of San Diego, State of California [which has the address of XXXXXXXXX, Chula Vista, California XXXXX (herein "Property Address")]:

SEE EXHIBIT "A" ATTACHED HERETO FOR LEGAL DESCRIPTION

Said Deed of Trust is second and subsequent in lien to a First Deed of Trust recording concurrently herewith in favor of the first lien holder, XXXXXXXXXXX, a California Corporation in the amount of XXXXXXXXXX and X/0 Dollars;

TOGETHER with all the improvements now and hereafter erected on the Property, and all easements, rights, appurtenances and rents (subject however to the rights and authorities given herein to the Beneficiary to collect and apply such rents), all of which shall be deemed to be and remain part of the property covered by this Deed of Trust; and all of the foregoing, together with said property (or the leasehold estate if this Deed of Trust is on a leasehold) are hereinafter referred to as the "Property";

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TO SECURE to the Beneficiary the repayment of the indebtedness evidenced by Borrower's promissory note, dated XXXX X, 20XX and extensions and renewals thereof (herein "Note"), in the principal sum of XXXXXXX and X/0 Dollars ($XXXXX), with default interest thereon, if any, and the Equity portion payable to Beneficiary as provided hereinafter, if not sooner paid, which shall become immediately due and payable if all or any part of the Property or any interest in it is sold, rented, refinanced, conveyed or transferred (or if a beneficial interest in Borrower is sold, rented, refinanced, conveyed or transferred and Borrower is not a natural person), (each of which is called a "Transfer") without the prior written consent of Beneficiary; the payment of all other sums, with default interest thereon, if any, advanced in accordance herewith to protect the security of this Deed of Trust; and the performance of the covenants and agreements of Borrower herein contained.

Borrower covenants that Borrower is lawfully seized of the estate hereby conveyed and has the right to grant and convey the Property, and that the Borrower's subject property is unencumbered except for encumbrances of record. Borrower covenants that Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to encumbrances of record.

UNIFORM COVENANTS

Borrower and Beneficiary covenant and agree as follows:

1. **Payment of Principal and Interest**. Borrower shall promptly pay when due the principal and interest indebtedness evidenced by the Note.

   If payment of the indebtedness is required due to a Sale of the Property where the purchase price is equal to or less than the Acquisition Cost of the Property, assuming an open and competitive sale, then repayment shall be made in the following order and amount:

   (a) Outstanding principal and interest balance of the primary lender's loan;

   (b) Borrower's net down-payment investment and normal cost of sale (3% minus closing costs/fees);

   (c) Accrued simple interest on the principal amount of the Beneficiary's loan at the interest rate and the terms contained in the Promissory Note;

   (d) The principal amount of the Beneficiary's loan; and

   (e) Any remainder to borrower.

2. **Funds for Taxes and Insurance**. To protect the security of the Deed of Trust, Trustor agrees to pay, at least ten (10) days before delinquency, all taxes and assessments affecting said property; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; and all costs, fees and expenses of this Deed of Trust.

   Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary, without obligation to do so and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend

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any action or proceeding purporting to affect the security hereof or the rights powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his/her reasonable fees.

3. **Application of Payments**. Unless applicable law provides otherwise, all payments received by Beneficiary under section 1 and 2 shall be applied; first, to any prepayment charges due under the Note; second, to amounts payable under section 2; third, to interest due; fourth, to principal due; and last, to any late charges due under the Note.

4. **Prior Mortgages and Deeds of Trust; Charges; Liens**. Borrower shall perform all of Borrower's obligations under any mortgage, deed of trust or other security agreement with a lien which has priority over this Deed of Trust, including Borrower's covenants to make payments when due. Borrower shall pay or cause to be paid all taxes, assessments and other charges, fines and impositions attributable to the Property which may attain a priority over this Deed of Trust, and leasehold payments or ground rents, if any.

5. **Hazard Insurance**. Borrower shall keep the improvement(s) now existing or hereinafter erected on the Property insured against loss by fire, hazards included within the term "extended coverage", and such other hazards as Beneficiary may require and in such amounts and for such periods as Beneficiary may require.

   The insurance carrier providing the insurance shall be chosen by Borrower subject to approval by Beneficiary; provided, that such approval will not be unreasonably withheld. All insurance policies and renewals thereof shall be in a form acceptable to Beneficiary and shall include a standard mortgage clause in favor of and in a form acceptable to Beneficiary. Beneficiary has the right to hold the policies and renewals thereof, subject to the terms of any mortgage, deed of trust or other security agreement with a lien which has priority over this Deed of Trust.

   In the event of loss, Borrower shall give prompt notice to the insurance carrier and Beneficiary. Beneficiary may make proof of loss if not made promptly by Borrower.

   If Property is abandoned by Borrower, or if Borrower fails to respond to Beneficiary within 30 days from the date notice is mailed by Beneficiary to Borrower that the insurance carrier offers to settle a claim for insurance benefits, Beneficiary is authorized to collect and apply the insurance proceeds at Beneficiary's option either to restoration or repair of the Property or to the sums secured by this Deed of Trust.

6. **Preservation and Maintenance of Property, Condominium, Cooperatives, Planned Unit Developments**. Borrower will keep the Property in good repair and shall not commit waste or permit impairment or deterioration of the Property and shall maintain property including the principle house, garage, and out buildings as well as lawn maintenance, and shall comply with the provisions of any lease if this Deed of Trust is on a leasehold. If this Deed of Trust is on a unit in a condominium or a planned unit development, Borrower shall perform all of Borrower's obligations under the declaration or covenants, conditions and restrictions, creating or governing the condominium, planned unit development, the by-laws and regulations of the condominium or planned unit development, and constituent documents.

7. **Protection of Beneficiary Security**. If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or if any action or proceeding is commenced which materially affects Beneficiary's interest in the Property, then Beneficiary, at Beneficiary's option, upon notice to Borrower, may make such appearances, disburse such sums including reasonable

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attorneys' fees, and take such action as is necessary to protect Beneficiary's interest. If Beneficiary required mortgage insurance as a condition of making the loan secured by this Deed of Trust, Borrower shall pay the premiums required to maintain such insurance in effect until such time as the requirement for such insurance terminates in accordance with Borrower's and Beneficiary's written agreement or applicable law.

Any amounts disbursed by Beneficiary pursuant to this Paragraph, with interest thereon, at the original Note rate, will become additional indebtedness of Borrower secured by this Deed of Trust. Unless Borrower and Beneficiary agree to other terms of payment, such amounts will be payable upon notice from Beneficiary to Borrower requesting payment thereof. Nothing contained in this Paragraph will require Beneficiary to incur any expense or take any action hereunder.

8. **Inspection**. Beneficiary may make or cause to be made reasonable entries upon and inspections of the Property, provided that Beneficiary will give the Borrower notice prior to any such inspection specifying reasonable cause therefore related to Beneficiary's interest in the Property.

9. **Condemnation**. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking the Property, or part thereof, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Beneficiary subject to the terms of any mortgage, deed of trust or other security agreement with a lien which has priority over this Deed of Trust.

10. **Borrower Not Released; Forbearance by Beneficiary Not a Waiver**. Extension of the time for payment or modification of payment of the sums secured by this Deed of Trust granted by Beneficiary to any successor in interest of Borrower shall not operate to release, in any manner, the liability of the original Borrower and Borrower's successors in interest. Beneficiary shall not be required to commence proceedings against such successor or to extend time for payment or otherwise modify payment of the sums secured by this Deed of Trust by reason of any demand made by the original Borrower and Borrower's successors in interest. Any forbearance by Beneficiary in exercising any right or remedy hereunder, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any such right or remedy.

11. **Successors and Assigns Bound, Joint and Several Liability; Co-signers**. The covenants and agreements herein contained shall bind, and the rights hereunder shall inure to, the respective successors and assigns of Beneficiary and Borrower, subject to the provisions of Paragraph 16 hereof. All covenants and agreements of Borrower shall be joint and several. Any Borrower who co-signs this Deed of Trust, but does not execute the Note:

    (a) Is co-signing this Deed of Trust only to grant and convey that Borrower's interest in the Property to Trustee under the terms of this Deed of Trust,

    (b) Is not personally liable on the Note or under this Deed of Trust, and

    (c) Agrees that the Beneficiary and any other Borrower hereunder may agree to extend, modify, forbear, or make any other accommodations with regard to the terms of this Deed of Trust or the Note, without that Borrower's consent and without releasing that Borrower or modifying this Deed of Trust as to that Borrower's interest in the Property.

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12. **Notice**. Except for any notice required under applicable law to be given in another manner, any notice to Borrower provided for in this Deed of Trust shall be given by delivering it or by mailing such notice by certified mail, addressed to Borrower at the Property address or such other address as Borrower may designate by notice to Beneficiary as provided herein, and

    (a) Any notice to Beneficiary will be given by certified mail, return receipt requested, to Beneficiary address stated herein or to such other address as Beneficiary may designate by notice to Borrower as provided herein.

    (b) Any Notice provided for in this Deed of Trust shall be deemed to have been given to Borrower or Beneficiary when given in the manner designated herein.

13. **Governing Law, Severability**. The state and local laws applicable to this Deed of Trust shall be the laws of the jurisdiction in which the Property is located. The foregoing sentence shall not limit the applicability of Federal law to this Deed of Trust. In the event that any provision or clause of this Deed of Trust or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Deed of Trust or the Note which can be given effect without the conflicting provision, and to this end the provisions of this Deed of Trust and the Note are declared to be severable. As used herein, "costs", "expenses" and "attorneys' fees" include all sums to the extent not prohibited by applicable law or limited herein.

14. **Borrower's Copy**. Borrower shall be furnished a conformed copy of the Note and this Deed of Trust at the time of execution or after recordation hereof.

15. **NSP Agreement**. Borrower shall fulfill all of Borrower's other loan agreement(s) which Borrower enters into with the City, including, without limitation, the NSP agreement with the City.

16. **Rehabilitation Loan Agreement**. Borrower shall fulfill all of Borrower's obligations under any home rehabilitation, improvement, repair, or other loan agreement which Borrower enters into with Beneficiary. Beneficiary, at Beneficiary's option, may require Borrower to execute and deliver to Beneficiary, in a form acceptable to Beneficiary, an assignment of any rights, claims or defenses which Borrower may have against parties who supply labor, materials or services in connection with improvements made to the Property.

17. **Transfer of the Property or a Beneficial Interest in Borrower**. If all or any part of the Property or any interest in it is sold, rented, refinanced, conveyed or transferred (or if a beneficial interest in Borrower is sold, rented, refinanced, conveyed or transferred and Borrower is not a natural person), the "Equity", as hereafter defined, in the Property shall be shared between the Borrower and the Beneficiary on the following basis:

    If, for example, the Property is sold, rented, refinanced, conveyed, or transferred within the first year the term of the Note secured by this Deed of Trust, Borrower shall receive zero percent (0%) of the Equity in the Property and the City shall receive one hundred percent (100%) of the Equity. "Equity" is defined as the dollar amount that constitutes the difference between the sales price of the Property and the sum of the following amounts:

    (a) principal on the First Note and the Deed of Trust; and

    (b) principal on this Second Note and Deed of Trust to the City of Chula Vista; and

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(c) all costs of sale, including costs of brokers' commissions, escrow fees, title costs and fees, recording costs, etc.; and

(d) current year taxes, including all pro-rata real estate taxes calculated to the date of sale; and

(e) borrower's down payment not including the loan from the City to Borrower; and

(f) all principal paid down on the First Note and Deed of Trust; and

(g) costs of any improvements to the Property, provided such improvements were approved by the City prior to construction and provided that such improvements have been documented to the satisfaction of the City.

The amount of the Borrower's share in the Equity of the Property shall increase by five percent (5%) per year, measured on the anniversary date of this Deed of Trust. Correspondingly, the City's share in the equity of the Property shall decrease by five percent (5%) per annum. For the sake of example, if the Property is sold more than ten (10) but less than eleven (11) years after the date of this Deed of Trust, the City would have a twenty five percent (25%) share in the Equity and the Borrower would have a seventy five percent (75%) share in the Equity of the Property.

In the event that no Equity exists at the time of transfer or sale, the NSP funds (item 1b above) will still be due and payable. In the event that a negative Equity situation exists, and the full amount of the NSP funds are not available to be recaptured, the amount of NSP funds required to be repaid to the City will be as set forth in 24 CFR 92.254(a)(ii)(A)(3). The formulas are as follows:

$$\frac{\text{NSP investment}}{\text{NSP investment + homeowner investment}} \times \text{Net proceeds} = \text{NSP amount to be recaptured}$$

$$\frac{\text{Homeowner investment}}{\text{NSP investment + homeowner investment}} \times \text{Net proceeds} = \text{amount to homeowner}$$

"NSP investment" is defined funds received pursuant to the NSP Program.

"Homeowner investment" is defined as the amount of down payment made by the owner.

Provided that Borrower is not in default under the terms of the Note and loan documents, the Note interest and interest in the equity of the Property shall be forgiven in its entirety and relinquished by the City fifteen (15) years from the date of the execution of the Note, with only principal due and payable upon transfer beyond year 15, as provided in Section 5 of the Note.

NON-UNIFORM COVENANTS

Borrower and Beneficiary further covenant and agree as follows:

18. **Acceleration, Remedies**. Upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, including the covenants to pay when due any sums secured by this Deed of Trust, and those contained in paragraph 17 hereof, the Beneficiary, prior to acceleration, shall give notice to Borrower as provided in Paragraph 12 hereof specifying:

(a) The breach;

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(b) The action required to cure such breach;

(c) A date, not less than 10 days from the date the notice is mailed to Borrower, by which such breach must be cured; and

(d) That failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property.

The notice shall further inform Borrower of the right to reinstate after acceleration and the right to bring a court action to assert the nonexistence of a default or any other defense of Borrower to acceleration of sale. If the breach is not cured on or before the date specified in the notice, Beneficiary, at Beneficiary's option, may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Beneficiary shall be entitled to collect all reasonable costs and expenses incurred in pursuing the remedies provided in this Paragraph 17, including, but not limited to, reasonable attorneys' fees.

If Beneficiary invokes power of sale, Beneficiary shall execute or cause Trustee to execute a written notice of the occurrence of an event of default and of Beneficiary's election to cause the Property to be sold and shall cause such notice to be recorded in each county in which the Property or some part thereof is located. Beneficiary or Trustee shall mail copies of such notice in the manner prescribed by applicable law. Trustee shall give public notice of sale to the persons and in the manner prescribed by applicable law. After the lapse of such time as may be required by applicable law, Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder at the time and place and under the terms designated in the notice of sale in one or more parcels and in such order as Trustee may determine. Trustee may postpone sale of all or any parcel of the Property by public announcement at the time and place of any previously scheduled sale. Beneficiary or Beneficiary's designee may purchase the Property at any sale.

Trustee shall deliver to the purchaser Trustee's deed conveying the Property so sold without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order:

(a) To all reasonable costs and expenses of the sale, including, but not limited to, reasonable Trustee's and attorneys' fees and costs of title evidence;

(b) To all sums secured by this Deed of Trust; and

(c) The excess, if any, to the person or persons legally entitled thereto.

19. **Borrower's Right to Reinstate**. Not withstanding Beneficiary's acceleration of the sums secured by this Deed of Trust due to Borrower's breach, Borrower shall have the right to have any proceedings begun by Beneficiary to enforce this Deed of Trust discontinued at any time prior to five days before sale of the Property pursuant to the power of sale contained in this Deed of Trust or at any time prior to entry of a judgment enforcing this Deed of Trust if:

(a) Borrower pays Beneficiary all sums, which would be then due under this Deed of Trust, and the Note, had no acceleration occurred;

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(b) Borrower cures all breaches of any other covenants or agreements of Borrower contained in the Deed of Trust;

(c) Borrower pays all reasonable expenses incurred by Beneficiary and Trustee in enforcing the covenants and agreements of Borrower contained in this Deed of Trust, and in enforcing Beneficiary's and Trustee's remedies as provided in Paragraph 18 hereof, including, but not limited to, reasonable attorneys' fees; and

(d) Borrower takes such action as Beneficiary may reasonably require to assure that the lien of this Deed of Trust, Beneficiary's interest in the Property and Borrower's obligation to pay the sums secured by this Deed of Trust shall continue unimpaired.

Upon such payment and cure by Borrower, this Deed of Trust and the obligations secured hereby shall remain in full force and effect as if no acceleration had occurred.

20. **Assignment of Rents; Appointment of Receiver; Beneficiary in Possession**. As additional security hereunder, Borrower hereby assigns to Beneficiary the rents of the Property, provided that Borrower shall, prior to any default by Borrower in payment of any indebtedness secured hereby or in performance of any agreement hereunder, have the right to collect and retain such rents as they become due and payable.

Upon any such default, the Beneficiary, in person, by agent or by judicially appointed receiver, shall be entitled to enter upon, take possession of and manage the Property and to collect the rents of the property including those past due. All rents collected by Beneficiary or the receiver shall be applied first to payment of the cost of management of the Property and collection of rents, including, but not limited to, receiver's fees, premiums on receiver's bonds and reasonable attorneys' fees, and then to the sums secured by this Deed of Trust. Beneficiary and the receiver shall be liable to account only for those rents actually received. The entering upon and taking possession of said property and the collection of such rents and the application thereof as aforesaid shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

21. **Reconveyance**. Upon payment of all sums secured by this Deed of Trust, Beneficiary shall request Trustee to reconvey the Property and will surrender this Deed of Trust and all Notes evidencing indebtedness secured by this Deed of Trust to Trustee. Trustee shall reconvey the Property without warranty and without charge to the person or persons legally entitled thereto. Such person or persons shall pay all costs of recordation, if any.

22. **Substitute Trustee**. The Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time appoint a successor trustee to any Trustee appointed hereunder by an instrument executed and acknowledged by Beneficiary and recorded in the office of the Recorder of the county where the Property is located. The instrument shall contain the name of the original Lender, Trustee and Borrower, the book and page where this Instrument is recorded and the name and address of the successor trustee. The successor trustee shall, without conveyance of the Property, succeed to all the title, power and duties conferred upon the Trustee herein and by applicable law. This procedure for substitution of trustee shall govern to the exclusion of all other provisions for substitution.

Initials _____

23. **Request for Notices**. Borrower requests that copies of the Notice of Default and Notice of Sale be sent to Borrower's address, which is the Property Address. Beneficiary requests that copies of notices of foreclosure from the holder of any lien which has priority over this Deed of Trust be sent to Beneficiary's address, as set forth on Page One of this Deed of Trust as provided by Section 2924b of the Civil Code of California.

24. **Fee for Requested Statements**. The Beneficiary may charge a fee not to exceed Sixty Dollars ($60.00) for furnishing the statement of obligation as provided in Section 2943 of the Civil Code of California.

25. **Deed of Trust Rider**. The Deed of Trust Rider executed by Borrower is attached and made part of this Deed of Trust.

26. **Covenants, Conditions and Restrictions**. The Property is subject to Covenants, Conditions and Restrictions ("Restrictions") between the Beneficiary and the Borrower, that are not attached hereto but are incorporated by reference. Borrower acknowledges receipt of said Restrictions and agrees for him/her self/ his/her heirs, successors and assigns to be bound by the same.

27. **Warranties of Borrower**. Borrower warrants to City that:

    (a) Borrower is a first-time homebuyer; that is, s/he has not owned a home, or had any ownership interest in a home within a three-year (3 year) period immediately preceding the date of this Deed of Trust, and

    (b) That Borrower's annual gross income does not exceed eighty percent (80%) of the median income for the San Diego metropolitan area, as adjusted for family size, as said median income is determined by the U.S. Department of Housing and Urban Development (HUD), on the latter of:

        1. The date of initial application to the City; or

        2. The date of the recordation of this Deed of Trust.

    (c) That for so long as Borrower owns the Property, Borrower will reside in the Property as Borrower's principal place of residence. Borrower agrees not to sublet, lease or rent out the Property during the term of this Deed of Trust.

28. **Subordination**. The Beneficiary and Borrower acknowledge and agree that this Deed of Trust is subject to and will subordinate in all respects to the liens, terms, covenants and conditions of the First Trust Deed and to all advances heretofore made or which may be hereafter be made pursuant to the First Trust Deed including all sums advanced for the purpose of:

    (a) Protecting or further securing the lien of the First Trust Deed, curing defaults by the Borrower under the First Trust Deed or for any other purpose expressly permitted by the First Trust Deed, and

    (b) Constructing, renovating, repairing, furnishing, fixturing or equipping the Property.

The terms and provisions of the First Trust Deed are paramount and controlling, and they supersede any other terms and provisions hereof in conflict therewith. In the event of a foreclosure of deed in lieu of foreclosure of the First Trust Deed, any provisions herein or any

Initials _____

SAMPLE

provision in any other collateral agreement restricting the use of the Property to low or moderate income households or otherwise restricting the Borrower's ability to sell the Property shall have no further force or effect on subsequent owners or purchasers of the Property. Any person, including his/her successors or assigns (other than the Borrower or a related entity of the Borrower), receiving title to the Property through a foreclosure or deed in lieu of foreclosure of the First Trust Deed shall receive title to the property free and clear from such restrictions.

Further, if the Primary Lender acquires title to the Property pursuant to a deed in lieu of foreclosure, the lien of this Deed of Trust shall automatically terminate upon the Primary Lender's acquisition of title, provided that:

(a) The Beneficiary has been given written notice of a default under the First Trust Deed, and

(b) The Beneficiary shall not have cured the default under the First Trust Deed, or diligently pursued curing the default as determined by the Primary Lender, within the 60-day period provided in such notice sent to the Beneficiary.

The Beneficiary and Borrower further acknowledge and agree that this Deed of Trust will only subordinate for a rate and term refinance of the First Trust Deed at the discretion of the Beneficiary and shall not be subject to subordination for a cash out refinance, equity line of credit or any other such form of refinance as deemed inappropriate by the Beneficiary.

29. **Funds for Taxes and Insurance**. The Beneficiary will waive collection of impounds for taxes and assessments (including condominium, planned unit development and planned residential development assessments, if any). Borrower will make all payments for impounds to First Trust Deed holder.

30. **Riders to this Security Instrument**. If one or more riders are executed by Borrower and recorded together with this Security Instrument, the covenants and agreements of each such rider shall be incorporated into and shall amend and supplement the covenants and agreements of this Security Instrument as if the rider(s) were a part of this Security Instrument. [Check applicable box(es)]

☐ Transfer Rider ☐ 1-4 Family Rider ☐ Other(s) [specify]:

☐ Condominium Rider ☐ PUD Rider

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Security Instrument and in any rider(s) executed by Borrower and recorded with it.

_____ _____

XXXXXXXXX

_____ _____

Initials _____

SAMPLE

ACKNOWLEDGMENT:

State of California
County of San Diego

On _____ before me,

_____, Notary, personally appeared

_____

personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature:_____

SAMPLE

Initials _____

DO NOT RECORD THIS PAGE

REQUEST FOR RECONVEYANCE

TO TRUSTEE:

The undersigned is the holder of the note or notes secured by this Deed of Trust. Said note or notes, together with all other indebtedness secured by this Deed of Trust, have been paid in full. You are hereby directed to cancel said note or notes and this Deed of Trust, which are delivered hereby, and to reconvey, without warranty, all the estate now held by you under this Deed of Trust to the person or persons legally entitled thereto.

Dated: _____

DO NOT LOSE OR DESTROY THIS DEED OF TRUST OR THE NOTE WHICH IT SECURES. BOTH MUST BE DELIVERED TO THE TRUSTEE FOR CANCELLATION BEFORE RECONVEYANCE WILL BE MADE.

SAMPLE

Initials _____

APPENDIX P

NIEGHBORHOOD STABILIZATION FIRST-TIME HOMEBUYER PROGRAM PROMISSORY NOTE

APN: XXX-XXX-XX-XX **FTHB # XXXX-XXXX**

NOTICE: THIS NOTE MAY REQUIRE PAYMENT OF PRINCIPAL AND INTEREST UPON THE SALE OR TRANSFER OF THE PROPERTY OR UPON A PREPAYMENT. FURTHER, THIS NOTE IS A SHARED APPRECIATION NOTE AS DEFINED IN SECTION 1917, ET SEQ. OF THE CALIFORNIA CIVIL CODE.

PROMISSORY NOTE SECURED BY DEED OF TRUST

$XXXXXXXX **XXXXX XX, 20XX**
Amount **Date**

XXXXXXXX Chula Vista, CA 9191X
[Property Address]

1. **Borrower's Promise to Pay**. For value received, the undersigned, XXXXXXXXXX ("Borrower"), promises to pay to the City of Chula Vista ("City"), or order, the sum of XXXXXXXXXX dollars ($XXXXX) with interest accruing thereon as hereinafter provided, and payable as set forth below. It is understood that the City may transfer this Note. The Lender or anyone who takes this Note by transfer and who is entitled to receive payments under this Note will be called the "Note Holder".

2. **No Interest**. This Note will bear no interest unless the Borrower defaults under the terms of this Note, the Deed of Trust securing it and/or the Covenants, Conditions and Restrictions affecting the Property. In the event of default, interest from the Date of this Note shall be calculated at:

   a) The rate equal to the interest rate of the senior trust deed or, in the event of no senior trust deed,

   b) The prevailing rate of the Prime Rate as published in the Wall Street Journal, on the date of default.

3. **Payments and Term**. The term of this Note extends until the Borrower sells, rents, refinances, transfers or changes the title of the property designated on the accompanying Deed of Trust. Provided that the Borrower continues to occupy the Property as their primary residence, the principal sum shall be repaid upon the sale, rental, refinance, conveyance, transfer or change in title to the property. Sale, rental, refinance, conveyance, transfer or change in title of the property prior to the fifteenth (15th) anniversary date of the Deed of Trust will trigger the shared equity in addition to the principal, as described in the accompanying Deed of Trust and Rider. A transfer constitutes sold, or otherwise conveyed, by operation of law or otherwise. No delay or omission on the part of the City shall operate as a waiver of such right of repayment or of any other right of this Note. The principal amount of this Note, together with

Initials _____

interest (if any) accruing thereon from the date hereof as set forth in Section 3, shall be due and payable on or before the date provided by the City in the Notice of Acceleration, which shall not be less than thirty (30) days, if all or any part of the Property or any interest in it is sold, rented, refinanced, conveyed, or transferred (or if a beneficial interest in Borrower is sold, rented, refinanced, conveyed, or transferred and Borrower is not a natural person) (herein called "Transfer) without the prior written consent of the City. The City shall not exercise this right of acceleration if prohibited by federal law as of the date of the Deed of Trust or in the City has executed a separate written waiver of this option. The following shall not constitute a Transfer:

(a) A transfer of the Property from a deceased Borrower to the surviving spouse of the Borrower if the surviving spouse is also named as a Borrower;

(b) A transfer of the Property by a Borrower to his/her spouse pursuant to which the spouse becomes a co-owner of the Property;

(c) A transfer of the Property resulting from a decree of dissolution of the marriage or legal separation or from a property settlement agreement incidental to such a decree which requires the Borrower to continue to make payments on the Note and by which a spouse who is already a Borrower becomes the sole owner of the Property;

(d) A transfer of the Property to a Borrower to an inter-vivos trust in which the Borrower is the sole beneficiary; and

(e) A transfer by means of encumbering the Property with a lien that is a junior lien to the lien securing the loan to Borrower evidenced by the Deed of Trust.

All payments made under this Note shall be paid in lawful money of the United States to the City of Chula Vista at 276 Fourth Avenue, Chula Vista, CA 91910, Attention: Development Services Department, Housing Division.

4. **Prepayment**. Borrower has the right to prepay the principal without incurring any penalty, apart from any interest that may be due under default provisions above. In the event that Borrower chooses to prepay the Note, Borrower must notify Note Holder in writing. If the property is not for sale or in escrow at the time of such notification, no equity share will be due. Only the full amount of the principal will be due to the City. If the property is for sale or in escrow at the time of notification, the Note will be part of the escrow and Borrower will incur appropriate equity share as an obligation.

5. **Forgiveness of Interest and Relinquishment of Equity**. Provided that Borrower is not in default under the terms of this Note or Loan Documents, the Note interest shall be forgiven in its entirety and interest in the equity of the property shall be relinquished by the City fifteen (15) years from the date of the execution of the Note. Nothing contained in this paragraph 5 shall be construed as a promise by the City to forgive or relinquish the right to seek repayment of the principal of the Note.

6. **Default Under Deed of Trust**. Notwithstanding any other provisions of the Note, if default occurs in any of the covenants or agreements contained in the Deed of Trust securing this Note, this Note shall immediately become due and payable in full at the option of the City. In the event the City exercises such option, the amounts due and payable shall be the principal balance

Initials _____

remaining on the Note and other amounts owing, together with accrued but unpaid interest as described above.

7. **Attorneys' Fees**. Should suit be commenced to collect on this Note, or any portion thereof, such sum as the court may deem reasonable shall be added hereto as attorneys' fees.

8. **Time**. Time is of the essence herein.

9. **Amendments**. This Note may not be modified or amended except by an instrument in writing expressing such intention and signed by an authorized representative of the City and Borrower.

10. **Severability**. If any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity and binding effect of the remainder of this Note upon the parties.

11. **Borrower's Waivers**. Borrower waives any rights to require the City to perform certain acts. Those acts are:

    (a) To demand payment of amounts due (known as "presentment").

    (b) To give notice that amounts due have not been paid (known as "notice of dishonor").

    (c) To obtain an official certification of non-payment (known as "protest").

12. **Giving of Notices**. Any notice that must be given to Borrower under this Note will be given by delivering it or by mailing it first class mail or by certified mail, return receipt requested, addressed to Borrower at the address set forth above. A notice that must be given to the City under this Note will be given by mailing it certified mail, return receipt request, to the City at the address stated in Section 3 above. Any party may change its address by a notice given to the other party in the manner set forth in this Section.

13. **Joint and Several Responsibility**. If more than one person executes this Note, each is fully and personally obligated to pay the full amount owed and to keep all promises in this Note.

NOTICE TO BORROWER

Do not sign this Note if it contains blank spaces.
All spaces should be completed before you sign.

Date: _____

_____ _____

XXXXXXXXX

Initials _____

APPENDIX Q

NEIGHBORHOOD STABILIZATION FIRST-TIME HOMEBUYER PROGRAM
LOAN DISCLOSURE

The City of Chula Vista Neighborhood Stabilization Program provides up to $70,000 in "gap" financing for eligible low- and moderate-income buyers. Specific terms and conditions of the assistance are specifically stated in the Promissory Note secured by a Deed of Trust. A general summary of the program is as follows:

1. Buyers will sign a Promissory Note and Deed of Trust, for a loan in second position with shared equity for the first 15 years, in favor of the City of Chula Vista.
2. If the buyer still resides in the home purchased under the Regulatory Agreement at the end of 15 years and has abided by all terms and conditions of the agreement with the City, the shared equity will be forgiven.
3. After year 15 only the principal loan will be due and payable upon transfer.
4. If at any time before 15 years the property is sold or refinanced, the loan will be due and payable consistent with the terms and conditions of the Promissory Note and Deed of Trust.
5. If at any time the buyer defaults on any terms or conditions of the loan and agreement with the City under the NS FTHB Program, additional accrued interest will be due in addition to the principal of the loan.
6. The loan may be paid by buyer at any time without pre-payment penalty.

Please sign and date this form acknowledging that you have read and understand the terms of the loan that you are entering in to as summarized above.

Date: _____

Buyer: _____ _____
Print Name Signature

Buyer: _____ _____
Print Name Signature