

HOUSING TRUST SILICON VALLEY LOAN GENERAL UNDERWRITING GUIDELINES

The Housing Trust reserves the right to revise and change guidelines at its discretion.

Housing Trust Silicon Valley (HTSV) is a non-profit organization and a secondary financing lender since 2000. Since its inception, HTSV has helped over 2,300 homebuyers with down payment assistance loan programs. It is located at 75 East Santa Clara Street, Suite 1350, San Jose CA 95113. The office phone number is 408.703.3837 and fax number is 888.466.2969.

These General Underwriting Guidelines are for all Housing Trust Silicon Valley Homebuyer Assistance Loan programs. Each Homebuyer Assistance Loan program will have its own program guidelines and must be reviewed.

Section 1- AVAILABLE HOMEBUYER ASSISTANCE PROGRAMS

Housing Trust Silicon Valley offers a variety of homebuyer assistance programs to first time homebuyers. These programs can be either loans or grants. Funds from the program is applied towards down payment and/or closing costs depending on the program's requirement. Each program will specify its purpose, form of assistance (loan or grant), term, interest, repayment term, etc.

- The lender and buyer are responsible for understanding the terms and conditions of the loan or grant for which the buyer is submitting an application.
- Only one HTSV loan program can be applied per transaction unless otherwise indicated in a program's guidelines
- Funds are limited and HTSV makes no guarantee that funds will be available.
- Reservations of funds (if available) are made at the receipt of a complete purchase loan application package.

For a quick matrix of available Homebuyer Assistance programs, please see *Exhibit #1*.

Section 2 -APPLICATION PROCESS

An applicant must be a Purchase-Ready buyer is a buyer who is able to qualify for adequate financing to purchase a home; able to provide a minimum down-payment of at least 3% or greater amount if required by the Senior Lender, plus closing costs; and has completed a HUD-certified eight (8) hour homebuyer education course. Adequate financing shall include a conventional first-mortgage loan provided by an established residential lender that meets the requirements described in Section 10 and Section 11 of these guidelines, and may also include public-sector or non-profit junior loans, such as down-payment assistance loans or grants secured by the Applicant and approved by Housing Trust and the Senior Lender. Down-payment may include gift funds if seasoned and documented as explained in these guidelines. Applicants with recent foreclosures, bankruptcies, credit scores below 680, or inadequate down-payment funds do not qualify as Purchase-Ready.

Applicants may apply through any participating lender of their choice. Participating lenders are required to have a signed Lender Participation Agreement and Lender Instructions along with Housing Trust approval. Housing Trust Silicon Valley (HTSV) maintains a list of preferred and certified loan officers/mortgage loan originators (LO/MLO).

A. Eligibility Application-Applicants are required to complete a Homebuyer Assistance Program Eligibility Application and submit the required documents. HTSV will determine the programs applicants may qualify for.

- The Eligibility Application Package must be submitted by the applicants and by appointment only with HTSV staff, at least 14 business days before entering into a purchase agreement.
- A copy of the credit report for all borrowers including non-borrowing spouses is required upon receipt of the Eligibility Application from the applicant. If the first mortgage lender cannot provide the copy of

the credit report for borrowers directly to the Housing Trust, then the borrowers can obtain a copy from originating vendor of the first mortgage lender.

- In the event, a lender or originating vendor of the first mortgage lender cannot provide the credit reports for the borrower(s), the borrower(s) must obtain a copy of their credit reports from all three credit bureaus (Equifax, Experian, & TransUnion) through <https://www.annualcreditreport.com/index.action> and provide it at the time of application.
- A copy of the credit scores from all three credit bureaus (Equifax, Experian, & TransUnion) are provided by each applicant borrower, co-applicant borrower and non-borrowing spouses. Generally, FICO credit scores are sent to the borrower(s) at lender pre-approval by lender.
- A non-borrowing spouse who is not on the senior mortgage loan will be required to provide credit scores from all three credit bureaus (Equifax, Experian, & TransUnion) as part of the eligibility application package.
- If any documentation is missing or required, HTSV staff will prepare a list of missing documentation for the applicant to submit. HTSV staff will then begin Initial Review process upon receipt of all documentation.
- Once an applicant is determined to be Program Eligible, a letter and email will be sent to the applicant and the loan officer/mortgage loan originator.

Upon completing review of a program eligibility application, Program staff will provide all Applicants with a written letter stating whether their household is eligible. Each eligibility determination letter (eligible or ineligible) is valid for 90 days, after which time it expires and is no longer valid for any purpose.

Applicants determined ineligible may reapply 90 days after receipt of the Program eligibility determination letter, if they believe their circumstances related to the reason for ineligibility have changed (i.e., significant changes in income, assets, household composition, credit score, down payment funds, etc.). In that case applicants must submit an entirely new complete application. Each application must verify that Applicant meets all eligibility criteria at the time of submittal, independently of any verification provided in prior application(s).

Applicants making fraudulent statements or intentionally misrepresenting the facts in any application shall be permanently ineligible for any Housing Trust Silicon Valley program.

An applicant's Program Eligibility status will be good for **90** days. Applicants **should not** enter into a purchase contract prior to receiving determination of Program Eligibility. The applicant is responsible for maintaining Program Eligibility and updating HTSV with any required documentation and any pertinent information at least two weeks prior to the expiration of the eligibility determination letter. A program eligibility determination letter from HTSV does not reserve funds for the program.

B. Purchase Loan Application-Upon entering into a ratified purchase agreement, the LO/MLO will submit a Homebuyer Assistance Program Loan Application, for the applicant's behalf, to the Housing Trust within 7 calendar days. Funds reservation is made when we receive a Loan Application and its supporting documents.

- Loan Application and required documents can be delivered by email, the loan officer or by courier.
- The LO/MLO must disclose all layers of subordinate financing, including the loan amount and program source, on the HTSV Purchase Loan Application, the loan application(1003) (Page 3, Details of the Transaction) and in the comment section located at the bottom of the Uniform Underwriting and Transmittal Summary (1008).
- HTSV will prepare and send required loan disclosures for its programs to the applicants.
 - HELP requires (non-TRID disclosures) a Good Faith Estimate and Truth-in-Lending (TILA) disclosures prepared by HTSV and delivered to the borrowers.

- Empower Homebuyers SCC requires (non-TRID disclosures) a Good Faith Estimate and Truth-in-Lending (TILA) disclosures prepared by HTSV and delivered to the borrowers.

Purchase Loan applications with no activity for more than 30 days (e.g. conditions have not been received, no response from lender, file has not moved forward), will be cancelled by designated Program staff without advance notice. For a quick reference on the timeline, please see *Exhibit #2*.

A. Documents from Applicant(s) and Household Members-Applicants and ALL adult household members are required to submit Valid Third-party documentation. Documents are issued directly by a public agency, private utility company, taxing entity, creditor, financial institution, school, employer, business, or Certified Public Accountant on such entity's own letterhead, verifying one or more eligibility criteria of any Applicant, Co-Applicant, or their dependents. Such documentation may be verified by the program staff through direct contact with such agency/issuer by phone, email, or written inquiry to verify accuracy of document's contents. Written statements of parties with any direct or indirect interest in the home purchase (i.e., persons related to Applicant by blood/family relationship, marriage, business ties (other than Certified Public Accountant, in the case of self-employment income) or other close personal relationship, do not qualify as valid third-party documentation. All documents must be in English.

All material misrepresentations, alterations, and/or omissions from the initial Housing Trust application; including but not limited to household size, income and asset information, loan details, etc., is not permissible and will render all future re-submissions ineligible for review and approval for a period of one year. Exceptions for re-submission of a loan application are significant life events such as a job/career change, marriage, or the birth of a child and are at the discretion of designated Housing Trust Homeownership Programs department staff.

Altered documents that show evidence of strikeovers, whiteouts, typewritten correction tapes, or other corrections must be initialed by all signers to the document. The Housing Trust will not accept changes that are not properly initialed. The Housing Trust reserves the right to request new documentation that is corrected and signed by all the signers.

Section 3- OCCUPANCY REQUIREMENTS

All Housing Trust loan programs require the borrower(s) to occupy the home as their principal residence. Applicants seeking Housing Trust financing must occupy the financed residence as their principal residence within 60 days of closing, and continuously thereafter, for the term of the loan or until the property is sold. Investor loans are prohibited. Failure of the borrowers to occupy the property will result in a declaration of a non-monetary default.

Section 4- HOMEBUYER EDUCATION AND ONE-ON-ONE COUNSELING

A. Homebuyer Education Class-An eight (8) hour in-person HUD certified homebuyer education class is required for borrowers including non-borrowing spouses for all programs. The designated agency for the class is Project Sentinel (www.housing.org). **Online classes through the designated agencies are acceptable.** Expiration of the Certificate of Attendance for the 8 Hour HUD approved Homebuyer Education class will vary from program to program.

B. One-on-One Counseling-As a condition to loan approval, all Housing Trust borrowers are also required to meet with Program staff for a one-on-one counseling session. The Program staff will contact the borrowers for a one-on-one counseling session and loan document signing. The one-on-one counseling session will allow the borrowers to ask any questions regarding financing, review the Housing Trust loan disclosures, and sign the Housing Trust loan documents. ALL Borrowers (including non-borrowing spouses) are required to attend this session at the office of Housing Trust Silicon Valley.

Section 5- FIRST-TIME HOMEBUYER STATUS AND DEFINITION

For all Housing Trust Programs, a first-time homebuyer is an individual or individuals, or an individual and his or her spouse, who have not had an ownership interest in a home or have owned a home during the past **THREE** (3) consecutive calendar years period prior to the date of application for eligibility, except that the following individual or individuals may not be excluded from consideration as a first-time home buyer under this definition:

- A “displaced homemaker or spouse” who, while a homemaker, owned a home with his or her spouse or resided in a home owned by the spouse. A displaced homemaker is an adult who has not, within the preceding two years, worked on a full-time basis as a member of the labor force for a consecutive twelve-month period and who has been unemployed or underemployed, experienced difficulty in obtaining or upgrading employment and worked primarily without remuneration to care for his or her home and family;
- A single parent who, while married, owned a home with his or her spouse or resided in a home owned by the spouse. A single parent is an individual who is unmarried or legally separated from a spouse and has one or more minor children for whom the individual has custody or joint custody or is pregnant; or
- An individual or individuals who owns or owned, as a principal residence during the three-year period before the purchase of a home, a dwelling unit whose structure is:
 - Not permanently affixed to a permanent foundation in accordance with local or state regulations; or
 - Not in compliance with state, local, or model building codes and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure. *From Title 25, California Code of Regulations §8201(l)*

This applies to all applicants and applicants’ household members. Applicants who own a home meeting the description provided in Exception 3 of the First Time Home Buyer definition must sell such home prior to the Housing Trust loan program approval or close concurrently with the purchase transaction. If the Applicant is unable to ratify a sales contract for the home, the applicant will be ineligible. If Applicant’s net proceeds of the sale would cause Applicant’s Household to exceed the Program’s asset limits, the household will not be eligible for the Program.

- Signed and dated Federal and State Income Tax Returns with ALL W2s, Schedules, and/or 1099s (including taxable interest forms) from the last three (3) calendar years are examined to determine first-time homebuyer status.

The preliminary review consists of determining if the applicant has deducted mortgage interest and property taxes on the tax returns. The Housing Trust may utilize any reasonable method of documenting first-time homebuyer status including, but not limited to a review of the applicants’ tax returns and credit report.

Section 6- BORROWER CONTRIBUTION

For Housing Trust programs, applicants are required to contribute at least 3% of the purchase/sales price towards down payment and/or closing costs. *Please see the Program Guidelines for each program for applicable Borrower Contribution Requirement.*

A. Borrower’s Minimum Contribution- A minimum of half of the required down payment must be the applicant’s own funds. The Housing Trust will also allow 50% of the required down payment to be funds borrowed from a retirement plan.

B. Gifts- The Housing Trust will allow up to 50% of the required contribution to be in the form of a gift. A borrower may use donated gift or grant funds from acceptable entities to fund all or part of the down payment, closing costs, or financial reserves subject to the minimum borrower contribution requirements described below.

- The gift must be a bona fide gift with no repayment required.
- A gift letter signed by the donor and applicant is required along with a current copy of the bank statement showing the source of funds.

- Acceptable entities include churches, municipalities, nonprofit organizations (excluding credit unions), a regional Federal Home Loan Bank under one of its affordable housing programs, a grant program offered by from the institutional or mortgage lender financing the senior mortgage, and public agencies with the Housing Trust approval required prior to application submission.

FHA borrowers: The borrower must have an investment of at least 3.5% of the purchase price of the property from a source acceptable to HUD (this source cannot include a loan from Housing Trust Silicon Valley).

Section 7- ELIGIBLE HOUSEHOLD

A. Household Definition-*A household is comprised of ALL individuals who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements (Code of Federal Regulations Title 24, Section 570.3).*

The following individuals are not counted as part of the household:

1. Foster children
2. Unborn children
3. Children who live with the applicant (parent) less than 50% of the time
4. Children being pursued for legal custody or adoption who are not yet living with the household at the time of application
5. Non-family care-takers. Note: The income of family caretakers (e.g. relatives) who live with the applicant will be included in the household income calculation.

Children, who reside with the household at least 50% of the time and receive over 50% of the care from the applicant, can be counted as a household member.

B. Applicant/Co-Applicant- a Head of Household and any adult members of his/her household over the age of 18 years (“Co-Applicant(s)”) who is/are interested in purchasing and residing in the home, as evidenced by their signature(s) on the Eligibility Application submitted to the Housing Trust. “Applicant” may be used to refer to the Applicant’s entire Household and/or all adults in the Household, as the context requires. Primary Applicant refers to the first-named party on the application form, who must be the Head of Household, as defined herein. Co-Applicants are all other adult members of the Household over the age of 18 years.

C. Eligible Household-Household (see definition above) that is eligible to apply for the Housing Trust Loan Programs, as follows:

- The household is comprised of ALL individuals who will be occupying the home over the next or upcoming twelve months. All household members are considered co-applicants. Eligibility application will list all household members who are living together in the same dwelling unit at the time of, and have been living together in the same dwelling unit prior to the date of Program Eligibility application. Valid Third-party documents listed as required attachments in the Program Eligibility applications forms must be provided, to verify that each member of the Household resides, and has been residing for at least 60 days, at the same dwelling unit and street address; and
- Household does not exceed the program income and asset limits: Total gross (pre-tax) annual income and assets of all adult Household members over the age of 18 combined do not exceed the Program's income and asset limits provided in the program guidelines, adjusted for the size of the Household; and
- All of the current members of Applicant’s household must individually meet all program eligibility requirements applicable to individuals, such as First Time Home Buyer status and Permanent Residency, as explained in **Section 4** and **subsection D (below)** of these Guidelines. If the household member is new to the residence or if they are not claimed on the previous year's tax return, the applicant will be required to submit viable and verifiable third party documentation that the household member

will live with the applicant over the coming 12 months. All letters of explanation provided by the applicant must be signed by the applicant under penalty of perjury.

D. Permanent Resident(s)-All members of Applicant's household must provide acceptable documentation in Program application to verify that they are permanent legal residents of the U.S.:

- Either U.S.-born or naturalized citizens, permanent legal residents (holders of permanent "green cards"), or
- Spouses with pending permanent residency due to marriage to an Applicant who is a U.S. citizen or permanent legal resident. Acceptable documentation must be provided.
- Visas of any kind and/or temporary residency (temporary green cards) do not constitute permanent legal residency, except for temporary green cards of spouses as described above.
- Refugees and asylum-seekers may submit documentation from the federal immigration agency or a court order granting admission for permanent legal residency based on such status.

Household members without proof of permanent legal residency in the U.S. are not prohibited from occupying the home as guest of Applicant. If such household members have been residing in Applicant's household for more than 30 days at time of application, such household members must also be listed in Applicant's application, and must provide all required income and asset documentation for inclusion in Applicant's Gross Household Income and Assets.

However, due to the temporary nature and/or uncertainty about duration of their stay in the U.S., such household members (visa-holders, etc.) will not be counted toward Applicant's Household size.

Section 8- MAXIMUM HOUSEHOLD INCOME AND CALCULATION

A. Maximum Household Income Limits and Income Calculation

Maximum Household Income Limit by Household Size and the Income Calculation varies from program to program. Lenders should refer to the program's Underwriting Guidelines for Maximum Household Income by Household Size and Income Calculation.

- Unless otherwise indicated HTSV programs employs the Maximum Gross Annual Household Income Limits adjusted for household size and by county determined by the California Department of Housing and Community Development (HCD).
- Unless otherwise indicated the Housing Trust uses the "Part 5" definition of income found at 24 CFR 5.609. The Part 5 definition of annual income is the gross amount of income of all adult household members anticipated to be received during the coming 12-month period. Adults are defined as all household members 18 and over. For a quick matrix of available Income Inclusions and Exclusions, please see *Exhibit #3*.

Please see the Program Guidelines for each program for applicable Maximum Household Income limits.

B. Determination of Income Eligibility-All household members aged 18 or older are required to submit income and asset documentation.

- **For Hourly and Salaried Employees**, the following is required:
 - **FOUR (4) most recent consecutive** paystubs for all household members over the age of 18. Paystubs must be within **30** days old at the date of application and cannot be more than **90** days old at the date of closing.
 - **Written** Verification of Employment (VOE) may be required for **all** household members earning an income. The written Verification of Employment cannot be more than **90** days old at the date of closing. The Housing Trust will not accept a verbal Verification of Employment (VOE).

- **For Self-Employed**, the following is required by the Program staff to determine income eligibility and applicants should be prepared to document their projected annual earning using any or all of the following methods:
 - Applicant must provide the last three (3) years' income tax returns, both State and Federal with ALL W2s, ALL Schedules and/or 1099s (including taxable interest forms).
 - A year-to-date profit and loss and income statements prepared and signed by a Certified Public Accountant/Tax Preparer and/or Applicant (at HTSV discretion), with information covered through the last quarter, and
 - A letter of explanation signed and certified by the applicant, stating the anticipated net household income (after deducting business expenses) over the next 12 months; or
 - A year-to-date balance sheet, prepared and signed by a Certified Public Accountant /Tax Preparer and/or Applicant (at HTSV discretion), reflecting the financial position of the business at a specific point in time and a signed letter of explanation regarding applicant's anticipated net household income (after deducting business expenses) signed and certified by the applicant; or
 - Current owner salary documentation and three years of profit/loss statements from partnerships and S corporations prepared and signed by the Certified Public Accountant; and a signed letter of explanation regarding the applicant's anticipated gross household income over the next 12 months, signed and certified by the applicant.
 - For the purposes of self-employed individuals, net income from the operation of a business may only be used if the net income is derived by deducting expenses solely associated with the operation of the business.
 - An applicant who both has a job and is self-employed must provide documentation for both.
 - The Housing Trust reserves the right to determine if the income information for a self-employed applicant must be supplied by a Certified Public Accountant.
- **For Zero Income-** Any adult household member who **does not** receive income from ANY source. The household member must complete and sign a Certification of Zero Income at the application submission appointment.
- **Alimony or child support** - Alimony or child support payments are considered income and are included in the gross household income. Applicant must provide a copy of a divorce decree or a court filed separation agreement (if the divorce is not final) including marital settlement agreement, spousal support court order, child custody and support court order.
- **Full-time college students-** over the age of 18, living away from home, and who continue to receive over half of their support from the applicant, may be considered a household member. Student's income must be counted in the applicant's total income calculation.
 - Student must provide enrollment verification from the registrar's office of the university/college he/she is attending.
 - If the student is unable to produce income documentation, the Housing Trust will add \$480 to the applicant's annual household income. However, if the student is a head of household or a spouse/domestic partner of the applicant, the student will be required to produce verifiable income documentation.
- **All other forms of income-**Documentation must be provided from ALL adult household members including non-borrowing spouses for all other forms of income including Social Security, unemployment, disability, etc. This income will be included in the gross monthly income calculation. Satisfactory income documentation is required.
 - For Social Security benefit, Social Security Administration's (SSA) award letter and proof of current and regular receipt of payments are required.
 - For unemployment and disability, claim benefit statement from government source must be presented.

Section 9- HOUSEHOLD ASSETS

Definition of an asset: a liquid or non-liquid item that can readily be converted to cash. The value of ordinary (i.e. non-investment) personal or household items, such as furniture and personal vehicles, are not considered assets for the purpose of Program eligibility.

A. Asset Documentation- The Housing Trust requires applicants and all adult household members to provide **THREE (3)** most recent consecutive statements from **all** asset accounts (checking, savings, certificate of deposit, stocks, mutual funds, money market, bonds, etc.) including retirement accounts.

- Statements must be within thirty days (30) old at the date of application and cannot be older than ninety days (90) at the date of closing.

Asset income is included in total gross household income. The calculation for determining asset income is to take the greater of 1) the actual income from assets and 2) passbook rate which is currently .13% of the cash value of assets over \$5,000. An asset worksheet is included in each applicant file. For the GAP program, the imputed interest rate on assets is 2%.

B. Asset Limitation- All Housing Trust Programs will have a post-closing asset limit per household and will vary from program to program. Lenders should refer to the program's Underwriting Guidelines for the Asset Limitation. This limit includes liquid and non-liquid assets. Liquid and non-liquid assets are defined and will include checking, savings, money market accounts, certificates of deposit, stocks, mutual funds, bonds, and annuities, etc. **It does not include retirement accounts (including 401k, 403b, CalPERS, CalSTRS, and IRAs.)**

- Please see the Program Guidelines for each program for applicable Financing and Credit Guidelines.

C. Reserve Requirements- All Housing Trust Programs will have a reserve requirement and will vary from program to program. Lenders should refer to the program's Underwriting Guidelines for the Reserve Requirements. Reserves are cash assets remaining after the down payment and the closing costs have been paid. The Housing Trust requires that all borrowers **have no less than one (1) month reserves** after closing to cover principal, interest, taxes, insurance and homeowner association dues.

Funds from retirement accounts may be considered for non-liquid reserves only if the borrower has access to the funds. Retirement accounts funds may not be used as reserves when withdrawals are allowed only in connection with borrower's retirement (and borrower is not of retirement age), termination of employment or death (such as pension and cash balances plans) or when withdrawals are prohibited.

The monetary value assigned to any non-liquid asset used for reserves will be 60% of the current value of the asset.

Section 10- FINANCING AND CREDIT REQUIREMENTS

A. Credit Scores

Credit scores are by each applicant borrower, co-applicant borrower and non-borrowing spouses for the requested program loan. The credit scores are examined to ensure compliance with minimum credit score requirement. Credit score will vary from program to program. Please see the Program Guidelines for each program for applicable Credit Score Guidelines.

- A non-borrowing spouse who is not on the senior mortgage loan will be required to provide credit scores from all three credit bureaus (Equifax, Experian, & TransUnion) as part of the eligibility application package.

- Credit score: The borrower(s) must have a middle FICO credit score of 680.
- A borrower's spouse with no credit score may be eligible if the primary borrower with the credit scores meets the minimum representative credit score requirement.
- When all borrowers have a credit score, they must all meet the minimum representative credit score requirement for the program.
- The middle score of the lowest scoring borrower should be used to determine eligibility.

B. Credit Requirements and Credit Reports

The borrower and any co-borrowers are required to submit copies of their credit report from all three credit bureaus (Equifax, Experian, & TransUnion) as part of the eligibility application package. Borrower(s) will obtain the credit reports through <https://www.annualcreditreport.com/index.action>. Prior to close of escrow on a transaction, Housing Trust may obtain a soft-pull credit report through its vendor on all the borrowers.

- Credit reports submitted by the borrower(s) must be within 30 days old at the date of application and cannot be more than 90 days old at the date of closing. A new credit report from each credit bureau will be required from the borrower(s).
- Housing Trust requires a credit report for a co-applicant non-borrowing spouse.
- Monthly installment debt and credit payments are compared to the senior lender's 1003-Uniform Residential Loan Application (Fannie Mae) and 1008-Uniform Underwriting and Transmittal Summary (Fannie Mae).
- Housing Trust may request alternative credit if borrowers' credit history is less than two years.
- Liens and judgments must be paid prior to loan approval.
- Collections: Collections may require repayment terms. Buyer cannot have more than \$2000 in total collections including medical collections. For total collection amounts over \$2000 additional analysis will be required. Medical Collections and charge off accounts are excluded from repayment requirement.
- Student loans will be included in the debt-to-income ratio, unless they have a deferment or forbearance of 12 months or more at the time of the loan application and prior to closing of escrow.
- Letters of explanation from the borrower/co-borrower is required for any and all derogative credit on the credit report without regard to length of time. Letter of explanation must identify the derogatory debt and a clear and concise reason for the derogatory status.

C. For Select Deferred Homebuyer Assistance Loan programs only-Applicants/co-applicants with past bankruptcy, short sales, or foreclosure will be considered an exception and may apply if they can demonstrate compensating factors and

- *Completed short sales or bankruptcy (discharge date) is over four (4) calendar years, or*
- *Completed foreclosure is over seven (7) calendar years, and*
- *Applicants/Co-Applicants must demonstrate compensating factors for consideration and provide a letter of explanation regarding the event.*
- *Viable third-party documentation for the bankruptcy must be provided.*
- *Applicants/Co-Applicants must demonstrate sufficient reestablished credit.*

HTSV may require additional borrower contribution for the transaction. Please see the Program Guidelines for each program for applicable Financing and Credit Guidelines.

D. Letters of Explanation-Letters of explanation must be signed and dated by the applicant providing the explanation. All letters of explanation must acknowledge that the applicant understands the statements provided are under penalty and perjury of the law. Letter of explanation must be clear and provide responses to the additional information requested from the HTSV staff. The letter should answer who, what, where, when or

how in regards to clarifying any questions HTSV may have with documentation, non-electronic deposits, etc. Letter of Explanation when requested must be accompanied by verifiable documentation. Any information received by the Housing Trust that is contradictory to a letter of explanation may disqualify the applicant.

E. Non-occupant Co-signers-The Housing Trust will not allow any non-occupant co-signers for the first loan or any HTSV loan programs.

F. Debt Payoff prior to Closing-Housing Trust funds cannot be used to pay off all or any portion of the borrower's consumer debt, collections, liens or judgments. This is not permitted even if required by the primary lender as a condition of loan approval and even if paid through escrow.

G. Debt Ratios-Each applicant for a Housing Trust loan must meet debt to income ratios to qualify for a loan. These ratios apply to all Housing Trust Homebuyer Assistance Loan programs.

- The Front-end ratio is calculated by dividing the total housing payment by the applicant's gross income. The minimum Front-end ratio is 28%. The front end ratio shall not be more than 38% front-end (housing cost) and includes the following:
 - Principal and interest payments on the first mortgage;
 - Principal and interest payments, if any, on subordinate financing non-deferred loans;
 - Real estate taxes
 - FHA MIP/PMI/MI monthly premium
 - Hazard insurance premium
 - Flood insurance premium, if applicable
 - Monthly Homeowners' Association dues for condominiums and for homes located in a planned unit development (PUD).
- The Back-end ratio or the total debt-to-income ratio is calculated by adding together the total monthly payments of all existing long term debt (debt with a remaining term of 10 or more months) and the total monthly housing payment and dividing that sum by the applicant's gross monthly income. The Back-end ratio shall not exceed 45% of the applicant's gross monthly income. The Back-end ratio includes:
 - The monthly housing payment as defined above;
 - Long term installment debt beyond 10 months remaining to be paid
 - Revolving credit account and lines of credit;
 - Alimony, child support or maintenance, if applicable

The Housing Trust requires submittal of the Fannie Mae 1008 Underwriting form and Automated Underwriting System approval from the first lender for all programs as one source of ratio calculation. The Housing Trust will calculate ratios based on our income calculations.

H. Compensating Factors -The Housing Trust may consider compensating factors for credit scores or debt ratios that fall outside of its guidelines. Compensating factors include, but are not limited to:

- The applicant's proven ability to devote a larger amount of income to housing expenses.
- The applicant has substantial reserve funds (well beyond the 1 month minimum requirement).
- The applicant's down payment exceeds the program minimum.
- The applicant's housing expense will not increase more than five percent over previous housing payments.
- Length of time at the same job or with the same employer.
- Excellent credit score and history.
- Applicant has very little non-housing debt.
- Applicant has substantial non-taxable income.

SECTION 11- MORTGAGE REQUIREMENTS

A. First Mortgage Requirements-Prior to obtaining a loan from the Housing Trust, the applicant must provide evidence of senior lender approval for the maximum first mortgage loan amount. Please see the Program Guidelines for each program for applicable First Mortgage loan requirements.

- All applicants are required to have a first mortgage provided by a conventional residential lender (including credit unions) with standard underwriting and loan servicing capabilities. Private-party, family member, or seller/agent loans, gifts, etc. may not be used in full or part as a substitute for a first mortgage equal to at least 70% of the purchase price.
- First mortgage may not include provisions for potential negative amortization, balloon payments, or principal increase on deferred interest.
- First mortgage must be a 30 year fully amortized fixed rate loan.
- Minimum Loan To Value (LTV) is 70%
- Maximum Combined Loan To Value (CLTV) 100%
- Requirement for impound/escrow account for taxes and insurance will vary from program to program.

B. Maximum HTSV Loan Amount by Program

- Please see the Program Guidelines for each program for applicable Maximum HTSV Loan Amount.

C. Minimum Loan Amount

- Please see the Program Guidelines for each program for applicable Minimum HTSV Loan Amount.

D. HTSV Loan Program Lien Priority-HTSV loan will be in **SECOND LIEN** priority and only subordinate to the first mortgage lien.

- Please see the Program Guidelines for each program for applicable Loan Program Lien Priority.

E. Maximum Sales Price

- Please see the Program Guidelines for each program for applicable Maximum Sales Price.

F. Subordinate Financing

- For all Housing Trust program, no subordinate financing may have a balloon, deferred or negative amortization payment **prior to 30 years**. Fees and/or charges for subordinate financing shall be consistent with industry standards.
- Any additional subordinate financing must be approved by Housing Trust Silicon Valley at eligibility determination and prior to loan application submission.
- Please see the Program Guidelines for each program for applicable subordinate financing.

SECTION 12- PROPERTY REQUIREMENTS

A. Eligible Housing Units-Eligible types of Housing Trust-assisted housing units include single family detached and attached homes including condominiums and townhomes.

- The property must be intended for single family residential use only.
- The housing unit must be located in applicable geographic location the program serves. Please see the individual Program Guidelines for applicable geographic location.
- Borrowers must occupy the property within 60 days.
- Financing for manufactured or mobile homes is not available.
- Property for Sale must be owner occupied or vacant. Tenant Occupied properties are not allowed.

Please refer to individual program guidelines for geographic restrictions, if applicable.

B. Short Sale Properties-The Housing Trust will make a new loan on a short sale property where the seller has an existing Housing Trust Closing Cost Assistance Program (CCA) program loan for \$6,500. Funds from the new Housing Trust loan cannot be used to pay off the previous Housing Trust loan.

- The property must have an active up-to-date short sale file with HTSV Asset Management department with pending approvals from all lien holders in order for loan funds reservation.
- Any Housing Trust borrower who executes a short sale or a foreclosure where the Housing Trust receives less than the full outstanding loan amount will be **permanently ineligible for any future assistance from the Housing Trust.**

Any questions regarding short sale property with a Housing Trust loan should be directed to the Asset Management department.

Section 13- PRIMARY LENDER DOCUMENTATION AND PROCESS

A. HTSV Loan Disclosures - The Housing Trust provides all required loan disclosures for its loan programs to borrowers and co-borrowers upon submission by the senior lender and the borrower the following forms:

- Executed Housing Trust program purchase loan application,
- Ratified purchase sales agreement for the identified property,
- Signed 1003 Fannie Mae Form URLA for the senior mortgage and from the senior lender

The following loan disclosures are prepared and sent to all borrowers and co-borrowers within three (3) business day:

- Buyer's Disclosure Statement for the Housing Trust Loan Program
- Good Faith Estimate
- Acknowledgment by Applicant of Required Disclosures and Notices
- Truth in Lending Disclosure Statement
- Intent to Proceed with Application
- Shopping for Your Home Loan booklet

The loan disclosures are sent via USPS and uploaded into the borrower's designated secured file sharing folder. Upon receipt of the Intent to Proceed with Application, Homebuyers Programs staff begins review of file documents for underwriting purposes.

Borrowers and Co-Borrowers are required to sign an Authorization to Release Information.

B. Documents from the Primary Lender-The Housing Trust reserves the right to request additional documents, if needed, from the primary lender, in order to document compliance with any statutory funding source regulation or these guidelines.

Documentation requested from the Primary Lender includes:

- Pre-Approval letter
- 1003-Uniform Residential Loan Application (Fannie Mae)
- 1008-Uniform Underwriting and Transmittal Summary (Fannie Mae)
- Credit Report for the borrower(s) on the mortgage loan application, if made available to Housing Trust
- Loan Estimate
- Automated Underwriting System/ Direct Underwriting (AUS/DU) Approval
- Loan Commitment letter
- Appraisal Report
- Executed Purchase Contract and All Addendums/Counter Offers
- Closing Disclosure-upon receipt

C. Loan Approval-After all conditions have been received, the file will be submitted for Final Review. Any additional documentation may be requested during Final Review.

- **All required documentation and conditions for loan approval are prior to loan approval and Prior to Docs.** Upon Loan Approval, a letter will be sent to the LO/MLO and the borrowers (via email). An email is sent to the Title Company with the Truth in Lending and Good Faith Estimate requesting an estimated settlement statement.

D. Request for HTSV Loan Documents-The LO/MLO will also receive loan request document instructions that must be completed and emailed back to HTSV Homeownership Programs staff as soon as possible. Loan documents require up to 48 hours' notice to be prepared. Non-borrowing spouses will be included in the HTSV Promissory Note and Deed of Trust.

Loan documents for the HTSV loan program shall include but will not be limited to:

- Loan Program Promissory Note
- Loan Program Deed of Trust
- Loan Program Condominium/PUD Rider (if applicable)
- Request for Notice

HTSV will contact the borrowers for a one-on-one counseling session and loan document signing. The one-on-one counseling session will allow the borrowers to ask any questions regarding financing, review HTSV loan disclosures, and sign HTSV loan documents. **ALL Borrowers (including non-borrowing spouses) are required to attend this session at the office of HTSV.** The Title Company will be notified for pick up once this is completed. Loan documents must remain in the custody of the Title Company at all times.

Section 14- TITLE AND ESCROW DOCUMENTATION AND REQUIREMENTS

A. Preliminary Title Report-The Preliminary Title Report cannot be more than 90 days at the date of closing. The Preliminary Title Report must include the legal description of the property. Documentation requested will be:

- Preliminary Title Report including Wire Instructions
- Copy of Earnest Money Deposit Funds/Check
- Copy of Title Company's receipt for the initial deposit
- Copy of the Master Policy if there is a HOA

B. Lender Policy Requirements for HTSV Second Loan-The Housing Trust **requires** an ALTA title insurance that includes the amount of the Housing Trust loan. This must show on the settlement statement along with any other associated title and escrow charges for the HTSV loan and is a funding condition prior to the close of escrow.

- Any funds required to close escrow must be deposited into an escrow account.
- The Housing Trust requires proof of Hazard Insurance and/or a Master Insurance policy that shows the Housing Trust as a mortgagee/loss payee. This must be provided prior to funding.
- The Housing Trust requires signed documents, and any required documentation be returned to the Housing Trust, in accordance with escrow instructions, prior to funding.
- Cash out of escrow, to applicants, **is limited and requires approval from the Housing Trust prior to funding.**

Section 15- INSURANCE REQUIREMENTS AND DOCUMENTATION

The Housing Trust will require the applicant to obtain hazard insurance for the Housing Trust loan, which includes the amount of the Housing Trust loan, at the close of escrow. Hazard/Fire Insurance (and flood insurance if property is located in a FEMA designates Special Flood Hazard Area) requirements are as follows:

- Applicant must maintain insurance on the property in an amount **at least equal to the replacement value of the improvements**; and
- The Housing Trust must be named as an additional loss payee (Second Loss Payee/Second Mortgagee) on the policy.
- The **Mortgagee Clause for Housing Trust Silicon Valley** is the name and address of the company and the corresponding HTSV loan number.
 - **For example: Housing Trust Silicon Valley
75 East Santa Clara Street, Suite 1350
San Jose, CA 95113
Loan Program Name #XX**
- The insurance policy must always include the Housing Trust as Second Loss Payee/Second Mortgagee.

Section 16- CLOSING DOCUMENTATION AND PROCEDURES

A. *Funding Process*-The HTSV Lender Instructions submitted with the loan documents are the “Master Instructions or Escrow Instructions” mandated by Housing Trust Silicon Valley regarding Recording and Closing procedures for all Housing Trust loans.

Contribution of Housing Trust funds may be suspended if escrow fails to comply with the Master Instructions or Escrow Instructions.

- HTSV loan documents are to be delivered to the title company and remain in the custody of the title company.
- The escrow officer must sign and return a copy of the Escrow Instructions, along with a complete funding package, to the Housing Trust prior to funding the Housing Trust’s loan.
- Escrow must provide the Funding Package of all executed documents, required conditions and any additional conditions requested at least **24 hours** prior to Release of Housing Trust Funds.

Upon receipt and review of all required funding conditions and once compliance of the lenders instructions has been adhered to, funds will be wired within **24 hours** from date and time of receipt and review of last funding condition required to fund Housing Trust loan.

B. Recording and Closing procedures

- All documents must be recorded in sequential order as stated in the HTSV Lender/Escrow Instructions.
- Upon close of escrow, the Title Company is required to notify HTSV staff of any funds due to the buyer and confirm Title Company is allowed to release those funds
- Title Company will send to HTSV a final HUD-1 settlement statement and all required document as listed in the Lender/Escrow Instructions.

Section 17- PROGRAM LOAN REPAYMENT TERMS

Loan repayment terms for Housing Trust programs are based on individual program terms and conditions. Please see the Program Guidelines for each program for applicable loan repayment terms and conditions.

In general, a borrower may pay a portion or the entire loan principal plus interest, if applicable without penalty.

A. *Refinance of First Mortgage/Lien*-All homes must be **owner occupied** for the life of the loan. Borrowers must occupy the home as their principal residence.

- Borrowers seeking refinance of their first loan or applying for any home equity loan or line of credit must obtain the Housing Trust’s prior written approval to subordinate any Housing Trust loan to a new senior mortgage.

- Re-subordination of Housing Trust loans are based on individual program terms and conditions.
- Property must be owner occupied and in compliance with the terms and conditions of the loan program.
- Cash-out refinances are not allowed. Applying for a home equity loan or line of credit is considered as cash-out.

Any questions regarding loan payoff and subordination requirements should be directed to the Asset Management department at Housing Trust Silicon Valley.

B. Loan Assumption-All Housing Trust Silicon Valley Homebuyer Assistance loans are not assumable.

Section 18- MONITORING AND COMPLIANCE

- A. Quality Control*-An outside firm retained by the Housing Trust will audit loan files on a regular basis. The quality control firm will determine the frequency of file audits. The Housing Trust provides hard/soft copies of the selected files to the quality control firm in a timely manner.
- B. Loan Monitoring*-The Housing Trust will monitor all homebuyer loans on an annual basis to confirm compliance with program guidelines. The monitoring program will consist of a letter and questionnaire sent to all borrowers of outstanding loans.
- All Housing Trust loan programs require the borrowers to:
 - Occupy the home as their principal residence; and
 - Maintain insurance coverage; and
 - Timely property tax payment; and
 - Good standing with first mortgage loan
 - Maintain Escrow Account, if required

The purpose of the monitoring program is primarily to determine compliance with the occupancy requirement. The program also provides an opportunity for the Housing Trust to maintain contact with the recipients of its assistance.

- C. Conditions of All Housing Trust Loan Repayment/Security/Default*-All Housing Trust loans are separately secured by a junior deed of trust. All Housing Trust loans including any deferred principal and interest, if applicable, are due and payable at the earlier of the following events;
- Transfer of title and sale of residence.
 - Upon formal filing and recording of Notice of Default
 - Thirty (30) years from the date of the Note depending on the loan's maturity date.
 - Failure of borrower to maintain primary residency/owner occupancy in property
 - Refinancing of first mortgage

Section 19- MORTGAGE LOAN ORIGINATOR/ LOAN OFFICER PARTICIPATION

In general, the Housing Trust Homebuyer Assistance Loan Programs are open to participation from all mortgage lenders, mortgage brokers, mortgage loan originators or loan officers. Lenders wishing to participate must have an office located in the geographic service area of HTSV Homebuyer Assistance Loan programs. It is highly recommended for Loan Officers/Mortgage Loan Originators (LO/MLO) to:

- Attend a Mortgage Loan Originator Training Workshop and pass the exam to be considered a Certified Loan Officer;

- Maintain a Lender Participation Agreement on file with Housing Trust Silicon Valley;
- LO/MLO must maintain NMLS in good standing;
- Demonstrate a thorough knowledge of HTSV general and program underwriting guidelines.

Lender Participation agreement and Homebuyer Assistance Loan program documents must be reviewed and approved by Lender's Compliance or Legal department and returned to the Housing Trust for approval.

Lender Approval-Loan Documents and Program Guidelines Submission

- Contact staff at HTSV Homeownership Program Department to forward Lender Approval package to appropriate Lender underwriting and compliance staff. Provide their contact information including name, title, phone number and email address.
- Interested Lender can also go to our webpage Lender Partners located under Homeownership Assistance.
- Lender will follow instructions for Lender participation.

A. Certified Loan Officer/Mortgage Loan Originator -The Housing Trust maintains a list of Certified Loan Officers/Mortgage Loan Originators (LO/MLO). The LO/MLO will:

- Offer assistance to First-Time Homebuyers interested in Housing Trust Silicon Valley Homebuyer Assistance Programs;
- Assist the applicant with pre-approval for a first mortgage loan prior to applicant meeting with HTSV and submitting their Program Eligibility Application;
- Review HTSV Program Eligibility letter to ensure first mortgage information is correct.
- Submit a Homebuyer Assistance Program Loan Application on behalf of their client along with supporting documents upon ratification of a purchase contract;
- Comply and follow HTSV procedures for Pre-approval and Loan Application;
- Attend a yearly Housing Trust MLO training and pass mini- exam;
- Maintain an up-to-date approved Lender Participation agreement on file;
- Submits letter from lender's underwriting department regarding the acceptance and approval of Housing Trust Programs and its loan documents (notes, deeds of trust, and program guidelines) as described below ;
- Maintains NMLS in good standing;
- Demonstrates a thorough knowledge and understanding of HTSV general and program underwriting guidelines.

First time homebuyers can contact the Housing Trust to verify loan officer/mortgage loan originator has been certified.

B. Preferred Loan Officers/Mortgage Loan Originators-HTSV may invite a Certified Loan Officer or Mortgage Loan Originator to become a Preferred Loan Officer at its discretion. The LO/MLO will meet the following criteria:

- Must be a Certified Loan Officer/Mortgage Loan Originator;
- Demonstrates extensive knowledge and understanding of HTSV general and program underwriting guidelines;
- Attends the Preferred Loan Officer training session and pass the exam;
- Preferred Loan Officer will answer all homebuyer inquiries in a timely manner.

Benefits:

- Preferred Loan Officers will have the opportunity to participate in homebuyer or realtor events coordinated by HTSV;
- Preferred Loan Officer will be listed on Preferred Loan Officer contact list;

- Preferred Loan Officers will have access to marketing flyers.

It is at the sole discretion of HTSV Homeownership Program department to select a LO/MLO as a Preferred Loan Officer and/or a Certified Loan Officer/Mortgage Loan Originator. The Housing Trust reserves the right to remove any inactive and/or non-compliant LO/MLO from the Certified Loan Officer or Preferred Loan Officer List without notice. Loan officers and mortgage loan originators are responsible to notify HTSV of any changes in contact information or employment.



EXHIBIT #1

Homebuyer Assistance Programs Matrix	
	Homebuyer Empowerment Loan Program (HELP)
Terms of the Program	Thirty (30) years deferred loan
Interest Rate	Shared Appreciation
Maximum Loan Amount	Up to 10% of the purchase price- Maximum Loan amount \$80,000
Maximum Purchase Price	\$800,000
Minimum LTV/Maximum CLTV	Minimum LTV- 70% Maximum LTV- 87% Maximum CLTV- 97%
Maximum Area Median Income	140% of the Area Median Income (See income limit per household size on HELP web page) For the cities of Menlo Park and East Palo Alto, the County of San Mateo income limits will apply.
First-time Homebuyer Status	Required-No home ownership interest within the last three calendar years
Required Buyer Contribution	3% (of the purchase price) contribution is required from the buyer
Asset Limitation	\$125,000 in post-closing assets (excluding retirement accounts)
Reserves	1 month
Front/Back End DTIs	38% / 45% of gross household income
Credit Score	Minimum Middle FICO 680
Location of Property	Anywhere in Santa Clara County and in the Cities of Menlo Park and East Palo Alto

EXHIBIT #2

Eligibility Application and Purchase Transaction Timeline

- Buyer meets with HTSV staff by appointment and submits complete Eligibility Application and all required documents. (14 days for eligibility determination)
 - HTSV staff contacts Loan Officer and reviews Lender's Pre-Approval including loan structure, interest rate and any PMI payment. Borrowers Authorization is requested. Lender will forward to HTSV a copy of the credit report for the borrowers if possible.
- Buyer receives Program Eligibility letter, identifies a home, and signs purchase contract.
- Loan Officer downloads and completes a Loan Application with Buyer, and prepares the required documentation (within seven (7) days of ratification of purchase contract).
- HTSV receives the Loan Application package and issues loan disclosures to borrowers (within three (3) business days).
- Within 3-5 days, Program staff will send an email to the Lender for any outstanding conditions or documentation. Upon receipt of all conditions and documentation, loan application is submitted for final review.
- Upon Approval, notification is sent to the Loan Officer and the borrowers.
- The Loan Officer will receive a loan documents request. Borrowers (including non-borrowing spouses) will attend a one on one counseling with Program staff to review and sign loan documents.
- Signed HTSV program loan documents are sent to Title Company.
- Funding package to HTSV staff for review- funding will be within 24 hours (or sooner, if possible) of receipt of all required funding conditions.

Exhibit #3

Part 5 (24 CFR 5.609) REV-1 06/07

INCOME INCLUSIONS

(1) The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;

(2) The net income from operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income.

An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family;

(3) Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (2) above. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD;

(4) The full amount of periodic amounts received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a **periodic amount (e.g., Black Lung Sick benefits, Veterans Disability, Dependent Indemnity Compensation, payments to the widow of a serviceman killed in action). See paragraph (13) under Income Exclusions for an exception to this paragraph;**

(5) Payments in lieu of earnings, such as unemployment, disability compensation, worker's compensation, and severance pay, except as provided in paragraph (3) under Income Exclusions;

(6) Welfare Assistance.

(a) Welfare assistance received by the family.

(b) If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:

(c) The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities;
plus

(d) The maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph shall be the amount resulting from one application of the percentage.

(7) Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling; and

(8) All regular pay, special pay, and allowances of a member of the Armed Forces, except as provided in paragraph (7) under Income Exclusions.

(9) For Section 8 programs only and as provided in 24 CFR 5.612, any financial assistance, in excess of amounts received for tuition that an individual receives under the Higher Education Act of 1965 (20 U.S.C. 1001 *et seq.*), from private sources, or from an institution of higher education (as defined under the Higher Education Act of 1965 (20 U.S.C. 1002)), shall be considered income to that individual, except that financial assistance described in this paragraph is not considered annual income for persons over the age of 23 with dependent children. For purposes of this paragraph "financial assistance"

does not include loan proceeds for the purpose of determining income. *(Note: This paragraph also does not apply to a student who is living with his/her parents who are applying for or receiving Section 8 assistance.)*

INCOME EXCLUSIONS:

- (1) Income from employment of children (including foster children) under the age of 18 years;
- (2) Payments received for the care of foster children or foster adults (usually persons with disabilities unrelated to the tenant family, who are unable to live alone);
- (3) Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains, and settlement for personal or property losses, except as provided in paragraph (5) under Income Inclusions;
- (4) Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member;
- (5) Income of a live-in aide, as defined in 24 CFR 5.403;
- (6) The full amount of student financial assistance paid directly to the student or to the educational institution (see Income Inclusions (9), above, for students receiving Section 8 assistance);
- (7) The special pay to a family member serving in the Armed Forces who is exposed to hostile fire (e.g., in the past, special pay included Operation Desert Storm);
- (8) (a) Amounts received under training programs funded by HUD (e.g., training received under Section 3);

 (b) Amounts received by a person with a disability that are disregarded for a limited time for purposes of supplemental security income eligibility and benefits because they are set-aside for use under a Plan to Attain Self-Sufficiency (PASS);

 (c) Amounts received by a participant in other publicly assisted programs that are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program;

 (d) Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the owner, on a part-time basis, that enhances the quality of life in the project. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, and resident initiative coordination. No resident may receive more than one such stipend during the same period of time; or

 (e) Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training programs not affiliated with a local government) and training of a family member as a resident management staff person. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment training program.
- (9) Temporary, nonrecurring, or sporadic income (including gifts);
- (10) Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era. (Examples include payments by the German and Japanese governments for atrocities committed during the Nazi era);
- (11) Earnings in excess of \$480 for each full-time student 18 years or older (excluding the head of household and spouse);
- (12) Adoption assistance payments in excess of \$480 per adopted child;

- (13) Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump-sum amount or in prospective monthly amounts;
- (14) Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit;
- (15) Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home; or
- (16) Amounts specifically excluded by any other federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the *Federal Register* and distributed to housing owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary.