

APPENDIX A

INCOME DETERMINATION

The program's maximum income limit is set by the Federal Department of Housing and Urban Development, pursuant to the Section 8 program guidelines. The maximum income consists of the gross income of the applicant(s). In determining gross income, the combined income of all members of the household (other than minors) who will be liable on the mortgage, or for the payment of the mortgage, must be computed.

1. Gross income shall be determined without deductions for the following:
 - a. Funds paid into a tax shelter retirement account .
 - b. Child support payments made by an Applicant for the benefit of the Applicant's child or children.¹ [See Section 2.i]
 - c. Alimony, separate maintenance, or similar periodic payments that an Applicant is required to make to a spouse or former spouse.
2. Gross Income shall include, but not be limited to, all of the following:
 - a. The gross amount, before payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips, bonuses, gambling winnings and prizes, and other compensation for personal services.
 - b. The net income from an operation of a business or profession or from the rental of real personal property. For this purpose, if this operation results in a loss, the loss may not be used to offset income generated from other sources. For this purpose, any shareholder that owns ten percent or more of any outstanding class of stock in a corporation, shall also be deemed to have received income in its proportionate share of net earnings not otherwise distributed in salaries or dividends.
 - c. All dividends and interest, including otherwise tax-exempt interest.
 - d. The full amount of periodic payments received from social security, housing assistance payments, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of

¹ Gross income shall not be reduced by the amount of Child Support payment a husband/wife makes for the care of a child or children. However, husband/wife who receives Child Support payments must include this amount as income.

- periodic receipts, including any lump sum payment for the delayed start of periodic payment.
- e. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay.
 - f. The full amount of public assistance payments.
 - g. Periodic and determinable allowances, such as alimony and separate maintenance payments received, housing allowances received, and regular contributions or gifts received from persons not residing in the dwelling, where such sums are received on a recurrent basis and which may be reasonably expected to continue.
 - h. The distributive share of partnership income.
 - i. Child support payments received by an Applicant for the benefit of the Applicant's child or children.
 - j. All regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is the head of the household or spouse (or other persons whose dependents are residing in the unit).
3. Gross Income does not include:
- a. Casual, sporadic or irregular gifts.
 - b. Amounts which are specifically for, or in reimbursement of medical expenses.
 - c. 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 property losses.
 - d. Amounts of education scholarships paid directly to the student or the educational institution, and the amounts paid by the government to a veteran for use in meeting the costs of attending an educational institution, including tuition, fees, books, equipment, supplies, transportation and miscellaneous expenses. (Non-school related veteran's benefits are included in income calculations).
 - e. Special pay to a family member in the Armed Forces who is away from home and exposed to hostile fire.

- f. Relocation payments under Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies of 1970.
- g. Foster Child Care payments.
- h. The value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1977, 7 U.S.C. Sections 2011 and 2027, which is in excess of the amount actually charged the eligible household.
- i. Payments to volunteers under the Domestic Volunteer Service Act of 1973.
- j. Payments of allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program.
- k. Payments received from the Job Training Partnership Act.
- l. Income from employment of child (including foster children) under the age of 18 years.

APPENDIX B

ACQUISITION COST

1. The term "acquisition cost" means the cost of acquiring a residence from the seller as a completed residential unit. Acquisition cost includes the following:
 - a. All amounts paid, either in cash or in kind, by the purchaser (or a related party or for the benefit of the purchaser) to the seller (or a related party or for the benefit of the seller) as consideration for the residence.
 - b. If a residence is incomplete, the reasonable cost of completing the residence whether or not the cost of completing construction, is to be financed with bond proceeds. For example, the acquisition cost would include the cost of completions necessary to obtain an occupancy permit.
 - c. Where a residence is purchased subject to a ground rent, the capitalized value of the ground rent. (Calculated pursuant to directions from the County.)
2. The term "acquisition cost" does not include the following:
 - a. The usual and reasonable settlement or financing costs. Settlement costs include titling and transfer costs, title insurance, survey fees, or other similar costs. Financing costs include credit reference fees, legal fees, appraisal expenses, "points" which are paid by the buyer (but not the seller, even though borne by the mortgagor through higher acquisition cost) or other costs of financing the residence. However, such amounts will be excluded in determining acquisition cost only to the extent that the amounts do not exceed the usual and reasonable costs which would be paid by the buyer where financing is not provided through a qualified mortgage bond issue. For example, if the purchaser agrees to pay to the seller more than a pro rata share of property taxes, such excess shall be treated as part of the acquisition cost of a residence.
 - b. The value of services performed by the mortgagor or members of the mortgagor's family in completing the residence. For purposes of the preceding sentence, the family of an individual shall include only the individual's brothers and sisters (whether by the whole or half blood), spouse, ancestors, and lineal descendants. For example, where the mortgagor builds a home alone or with the help of family members, the acquisition cost includes the cost of materials provided and work performed by subcontractors (whether or not related to the mortgagor), but does not include the imputed costs of any labor actually performed by the mortgagor or a member of the mortgagor's family in constructing the

residence. Similarly, where the mortgagor purchases an incomplete residence, the acquisition cost includes the cost of material and labor paid by the mortgagor's labor or the labor of the mortgagor's family in completing the residence.

- c. The cost of land which has been owned by the mortgagor for at least two years prior to the date on which construction of the residence begins.

APPENDIX C

MOBILE HOMES OR MANUFACTURED HOUSING

Under the Mortgage Credit Certificate Program, a mobile home or manufactured housing is eligible if it meets the following guidelines.

1. Minimum of 400 square feet of living space.
2. Minimum width in excess of 102 inches.
3. Of a kind which is customarily used at a fixed location including:
 - a. Tied down to a permanent foundation either owned or leased by the borrower;
 - b. Set on piers and tied down to utility pole with wheels removed and skirted.

Should the MCC holder move their mobile home from the original address or sell the home, the certificate expires unless the home is being acquired by another MCC applicant and the loan is being assumed. An MCC applicant currently owning a mobile home (as described above) as his/her principal residence is defined as a homeowner and thus does not qualify for the MCC Program.

APPENDIX D

LENDERS

For a mortgage lending company to become a Participating Lender in Contra Costa County's MCC Program, they must be licensed by the state and fall into one of the following categories:

1. Full service mortgage bankers and/or institutional lender;
2. Correspondent lenders; or
3. Mortgage brokers;

The lender must make application to the County by completing the Lender Participation Agreement (MCC-002). Each lender will be charged an Initial Participation Fee of \$400.00. This amount must be paid to the County on or before the required training date. For each subsequent year, the lender will have to pay a \$200.00 annual renewal fee for continued participation in the MCC Program. This fee will be due to the County by January 31 of each year unless otherwise specified.

After the County has accepted the Lender Participation Agreement and assigned a Lender I.D. Number, all Participating Lenders may make applications to the County on behalf of Borrowers desiring Mortgage Credit Certificates. Likewise, all participating lenders can obtain MCC Commitments (MCC-010) on behalf of their Borrowers. However, only funding lenders (i.e., Participating Lenders closing loans in their own names) can file the MCC closing documents and receive the MCC for the Borrower. A mortgage broker or other Participating Lender who is not funding the loan must assign the MCC Commitment to a Participating "funding" Lender.

Therefore, the entire Initial Phase of the MCC application (Transmittal Form MCC-003, Coordinator's Data Form, MCC-004, MCC Application Affidavit, MCC-005, MCC Commitment, MCC-010, Signed Purchase/Sales Agreement, Notice of Potential Recapture Tax on Sale of Home, MCC-007) must be delivered to the Funding Lender accompanied by a formal letter of assignment (MCC-009). The Funding Lender will subsequently provide all the Phase II --closing documents, (Seller Affidavit MCC-012, Closing Affidavit MCC-013, Lender's Closing Certificate MCC-014, and Notice to Mortgagor of Information Regarding Potential Recapture Tax, MCC-011), including the letter of assignment, to the County.

Lenders may charge each borrower a \$50 processing fee in addition to the \$300 non-refundable application fee due to the County. Other than the non-refundable application fee, the lender can only charge a potential MCC borrower those reasonable fees as would be charged for mortgages not provided in connection with the MCC Program.

APPENDIX E
MAPS OF TARGET AREAS