**MAYOR'S OFFICE OF HOUSING
AND COMMUNITY DEVELOPMENT**
CITY AND COUNTY OF SAN FRANCISCO

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MAYOR

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Homeownership Programs Announcement

Date of Announcement: June 30, 2017
Effective Date of Changes: August 1, 2017

The Mayor's Office of Housing and Community Development (MOHCD) is pleased to announce the following program policy changes.

Loan Assistance Programs (DALP)
- Maximum Combined Loan-to-Value (CLTV)
- Minimum Down Payment

All Homeownership Programs (BMR & DALP)
- Retirement Accounts
- Non-taxable Income Adjustments

Changes related to Loan Assistance Programs

The changes will apply to the following loan assistance programs: Downpayment Assistance Loan Program (DALP), First Responders Downpayment Assistance Loan Program (FRDALP), Educators Downpayment Assistance Loan Program (Educator-DALP), City Second Loan Program (CSLP) and Teacher Next Door (TND).

- Maximum Combined Loan-to-Value (CLTV): 97%
- Minimum Down Payment: 5% (2.5% must come from borrower's own funds; remainder can come from gifts or grants)

Loan assistance programs may be used to cover customary, non-recurring closing costs - up to 2% of the purchase price or the appraised value, whichever is less.

Note: When loan assistance programs are used in connection with the purchase of a Below Market Rate (BMR) unit, the borrower must meet all of the other eligibility requirements for the BMR program. In the case of any conflicting requirements, the more restrictive will apply. For example, if the DALP is used on a BMR unit, the maximum CLTV 95% required by the BMR program shall prevail.

Changes related to All Homeownership Programs

The changes will apply to the following homeownership programs: Below Market Rate (BMR), Downpayment Assistance Loan Program (DALP), Below Market Rate Downpayment Assistance Loan Program (BMR DALP), First Responders Downpayment Assistance Loan Program (FRDALP), Educators Downpayment Assistance Loan Program (Educator-DALP), City Second Loan Program (CSLP) and Teacher Next Door (TND).

Retirement Accounts

Vested funds from individual retirement accounts (IRA/SEP/Keogh accounts) and tax-favored retirement savings accounts (401(k) accounts) are acceptable sources of funds for the down payment, closing costs, and reserves.

Use Retirement Assets as Reserves

Funds from retirement accounts can be used for reserves and do not have to be liquidated. The borrower must provide a complete copy of the most current quarterly or three consecutive month retirement account statement(s) identifying the borrower's vested amount and the terms of the retirement plan that permits the borrower to make withdrawals. When a retirement account only allows withdrawals in connection with the borrower's employment termination, retirement, or death, these funds should not be considered.

To account for income taxes and any early withdrawal penalties, MOHCD will count only 60 percent of retirement account funds towards reserves.

Borrow Retirement Accounts

When a borrower uses his or her retirement accounts as security for a loan, the borrower has a contingent liability. MOHCD will include this contingent liability as part of the borrower's recurring monthly debt obligations when determining the borrower's total DTI ratio. A copy of applicable loan instrument that shows the debt payment shall be included when submitting an application.

Withdraw Retirement Accounts

Withdrawal of retirement accounts towards down payment and closing costs are generally allowed with proof of liquidation. However, the borrower shall consider all of his or her options before using retirement accounts, and consult with a tax advisor to fully understand the potential tax consequences of such withdrawal in addition to the applicable early withdrawal penalty.

Non-taxable Income Adjustment

MOHCD may give special consideration to regular sources of income that may be nontaxable, such as child support payments, Social Security benefits, workers' compensation benefits, certain types of public assistance payments. MOHCD must verify that the particular source of income is nontaxable. Documentation that can be used for this verification includes tax returns, award letters, policy agreements, account statements, or any other documents that address the nontaxable status of the income.

If the income is verified to be nontaxable, and the income and its tax-exempt status are likely to continue, MOHCD may develop an "adjusted gross income" for the borrower by adding an amount equivalent to 25% of the nontaxable income to the borrower's income for qualifying purpose.

Program Manual Update

Loan Assistance Program Manuals will be updated to reflect the policy changes prior to August 1, 2017.

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Please contact MOHCD Homeownership Programs at 415-701-5500 with any questions regarding this Announcement.