

## City of Antioch Antioch Home Ownership Program (AHOP)



### Lender Certification Overview and Loan Submittal Instructions

This memo reviews requirements and protocols for first lenders who plan to provide 1<sup>st</sup> loan mortgage approvals for prospective Antioch Home Ownership Program Down Payment Assistance Loan Subsidy (hereinafter referred to as **AHOP**) participants. This memo will address:

- The requirements for first lenders to secure a certification to become a Certified AHOP DALP lender.
- Guidelines, requirements, and protocols that first lenders will be required to adhere to in underwriting and issuing 1<sup>st</sup> loan **pre**approvals and **final** 1<sup>st</sup> loan approvals.

### BAAHA Program Administration

The **Bay Area Affordable Homeownership Alliance (BAAHA)** has been contracted to administer the AHOP for the City of Antioch. BAAHA's responsibilities will include (and not be limited to):

- Receive, review, prescreen, and determine the AHOP participating household's eligibility to participate in the AHOP.
- Receive, review, and process information and documents delivered to BAAHA by the first lender and AHOP applicant.
- Interact with the AHOP participant and first lender to process, underwrite, and issue an AHOP approval, including overseeing that the household and property being purchased meet all AHOP underwriting requirements.
- Coordinate the structuring, signing, and delivery of Program documents to be processed, signed, and recorded in escrow.

### AHOP BAAHA Lender Certification Requirements

A first lender must be Certified by BAAHA to approve and fund a first loan in conjunction with a City AHOP subsidy. To be certified, a first lender must meet the following requirements.

- The first lender must be experienced and maintain a strong understanding of lending requirements and protocols applied towards representing and assisting low income first time homebuyer clients to secure a 1<sup>st</sup> loan.
- The first lender must be able to fund their first loan in conjunction with the City's AHOP Program and ensure it conforms to the requirements and terms stipulated in the City's AHOP promissory note, loan agreement, and deed of trust. The first loan must be a fixed rate loan that is no less than fifteen (15) years and no greater than thirty (30) years. The AHOP subsidy is a shared appreciation loan that has a term of fifteen years. The AHOP subsidy must be in second position to the 1<sup>st</sup> mortgage loan. Copies of the AHOP documents will be provided to first lenders that request to receive an AHOP first lender certification package.
- Certified first lenders must have *documented experience in working with Municipal down payment assistance loan programs*. The first lender and loan officer must demonstrate their past experience in working with Municipal DALPs by responding to questions provided in the AHOP Lender Certification. The AHOP subsidy is a shared appreciation loan that has a term of fifteen years. The AHOP subsidy must be in second position to the 1<sup>st</sup> mortgage loan.

- Certified first lenders must have *documented access to additional subsidy sources* that comply with AHOP secondary funding parameters. Some AHOP borrowers may be required to secure additional subsidies by BAAHA/City. The first lender and loan officer must demonstrate their past experience in working with, and access to additional subsidy sources by responding to questions provided in the AHOP Lender Certification.

## **AHOP Program Approval Requirements**

The AHOP subsidy program requires that borrowers meet specific Program requirements. First Lenders must be aware of these requirements and make certain prospective AHOP households meet eligibility requirements to participate in the AHOP subsidy. For additional information on AHOP subsidies and requirements, visit BAAHA's website: <https://www.myhomegateway.org/ahop.html>. General AHOP subsidy requirements include:

- **First time homebuyers** – all non-dependent adult members of the household may not have owned or been on title as a partial or whole owner of a home in the past three years. The three years is based from the date of the household's AHOP application.
- **Maximum Income Allowance** – for low income households, incomes may not exceed 80% of the Contra Costa County's area median income allowance, as stipulate by HUD and California Housing Community Development guidelines (see 2025 income chart below).

Household size	1	2	3	4	5	6	7
Maximum Income	\$87,550	\$100,050	\$112,550	\$125,050	\$135,100	\$145,100	\$155,100

For a moderate income household, incomes may not exceed 120% of the Contra Costa County's area median income allowance, as stipulate by HUD and California Housing Community Development guidelines (see 2025 income chart below).

Household size	1	2	3	4	5	6	7
Maximum Income	\$134,250	\$153,400	\$172,600	\$191,750	\$207,100	\$222,450	\$237,750

Income applied to determine a household's gross combined maximum income includes:

- Income from all non-dependent household members who will be living in the home the household is purchasing. All non-dependent adult household members are required to be on title; however, they are not required to be on the 1<sup>st</sup> loan.
- Gross income equals the household member's total income from all earnings sources, before any deductions from pay checks.
- Gross income must include "all" bonuses and overtime earnings.
- For self-employed individuals, net income as depicted in prior years' tax returns is applied as a representation of the household member's gross income.

The City and BAAHA are required to apply income eligibility determination guidelines that comply with Federal, State, and City Agencies (including CA Title 25 imputed income). Accordingly, the City's guidelines will generate different household incomes than are derived by the first lender underwriting guidelines and outcomes. The City's/BAAHA's income calculation will set precedent in determining the household's gross income for AHOP subsidy qualifications. Verified income generated by the first lender will be applied for all 1<sup>st</sup> loan approval determinations, including housing and debt ratio calculations.

- **Financial Capacity** – includes (and not limited to):
  - *Debt Ratio and Housing ratio* – may not exceed 45%.

- *Housing Ratio* – floor of 28%; the dollar amount of City’s AHOP subsidy will be decreased if the housing ratio dips below 28%. A subsidy may not be provided if the first lender’s housing ratio is below 28% with a 3% down payment.
- *FICO Score* - all adult non-dependent household members must have a minimum FICO score of 640. Additional down payment requirements will be required for household in which the lowest median FICO score is between 640 and 699 (see below).
- *Down Payment and Closing Costs* – the household must have at least 3% of their own seasoned funds (gifts acceptable) to apply towards a down payment. If the lowest median FICO score for all adult members required to be on title is between 640 and 699, the household will either have to provide a 5% down payment or be required to secure additional AHOP compliant subsidy/grants.
- **Title Ownership Requirements** – all non-dependent adult household members must be on title and will appear on AHOP subsidy related documents. However not all non-dependent household members are required be on the 1<sup>st</sup> loan.
- **Rate lock** – the loan may not be rate locked until a borrower has been AHOP approved, and has entered into contract to purchase a home in Antioch. At that time, there must be at least a 60-day rate lock.
- **Lender Package** – to secure final AHOP subsidy approval, the first lender must submit a lender package to BAAHA that includes all required documentation (see Lender Package submittal requirements below).
- **Property Requirements** – the following property requirement must be met to secure City AHOP funding. The property must:
  - Be located in the City of Antioch.
  - Not have tenants occupying the property that will be required to be evicted at the time of sale.
  - Have no section 1 repairs to be conducted, or other structural and/or health safety violations.
  - A property pest inspection report and contractor inspection report is required to be reviewed by the City prior to approval of AHOP City funds.
  - The property must appraise at or higher than the purchase price.
- **Purchase Contract Requirements** – first lenders and real estate agents must conform to AHOP purchase contract requirements. BAAHA will not process an AHOP subsidy, including the approval of the purchase property if:
  - A purchase contract is written and executed prior to the BAAHA receiving, reviewing, and approving a first lender preapproval submission.
  - A purchase contract must have at least a forty-five (45) day escrow period. The purchase contract can only be submitted if BAAHA has reviewed and approved the 1<sup>st</sup> loan preapproval. The purchase contract must also provide a 25 day AHOP loan approval period (within the 45 day required escrow period).

### **Additional Program Subsidies**

The AHOP Program highly promotes, and in some cases requires, that AHOP subsidy participants take advantage of available AHOP compliant *down payment and closing cost assistance subsidies*. Additional subsidies must comply with the following terms:

- Be forgiven in a duration of five years or sooner
- Do not have a monthly payment
- Must be subordinate to AHOP subsidy

Regional first time homebuyer program participants have gained access to additional subsidies through public agencies and BAAHA certified first lenders that provide such subsidies. The first lender is responsible to either initiate and establish funding relationships with subsidy providers, and/or provide additional eligible subsidy resources.

### **Lender Program Approval Steps**

An AHOP applicant/participant and first lender are required to abide to the following steps to deliver a 1<sup>st</sup> loan approval in conjunction with an AHOP Program approval.

- 1) ***Submittal of AHOP Application and Homebuyer Education Certificate to BAAHA.*** An AHOP application must be filled out and submitted to BAAHA. The AHOP application, along with a detailed Program description, can be accessed at: <https://www.myhomegateway.org/ahop.html>. The applicant must have a HUD Education Certificate from a Certified HUD education provider to submit the AHOP application. The AHOP application can be submitted at the same time a BAAHA AHOP certified first lender 1<sup>st</sup> loan preapproval is issued only if the following conditions are met:
  - The AHOP application must be filled out and signed (electronic signatures are accepted) by the applicant. *The first lender loan officer may not fill out the application.* When and if required, BAAHA will refer Spanish speaking households to a partnering housing agency that can assist Spanish speaking households with their application and purchase process.
  - The first loan preapproval adheres to all required AHOP Program requirements (see above AHOP program approval requirements).
  - The first lender submitting the preapproval has been certified by BAAHA as an AHOP lender.

*Submittal of a 1<sup>st</sup> lender preapproval with an AHOP application does not assure that BAAHA will issue a Preliminary Eligibility Determination (PEN).*

- 2) ***Applicants AHOP Preliminary Eligibility Determination (PEN).*** BAAHA will notify applicants and their first lender (if first lender is noted on the AHOP application) when they issue a Preliminary Eligibility Notification (PEN). The PEN provides a preliminary screening process to determine if the household fits within the Program guidelines/parameters to qualify for the AHOP subsidy. *This step has been put in place to create greater efficiencies for all parties involved with an AHOP transaction.* PEN recipients are advised to continue moving forward with securing a 1<sup>st</sup> loan approval from a BAAHA AHOP Certified First Lender. BAAHA will notify a first lender if the applicant has listed them on the AHOP application. Non certified 1<sup>st</sup> lenders will be instructed to submit a Certification form to receive BAAHA certification. *Note BAAHA will not accept an AHOP application or a Lender Package if there is a purchase contract that has been entered into prior to issuing a PEN and/or securing a preapproval from the first lender to the applicant.*
- 3) ***First Lender 1<sup>st</sup> Loan Preapproval.*** The first lenders loan preapproval must conform to all AHOP guidelines and protocols. The 1<sup>st</sup> lender preapproval must include:
  - Signed 1003 (signature could be electronic)
  - 1008 that provides
    - The low middle FICO score for all combined applicants on the loan application.
    - Interest applied – the interest rate must be the current “market” interest rate. If a lower than market rate is applied BAAHA will require the loan officer’s explanation, given the assumption that the rate is not locked when the 1<sup>st</sup> lender issue a preapproval; versus locking a rate when the final approval is issued with an identified purchase property.
    - Clearly identifies the terms of the transaction, including: down payment and

subsidies applied (if any), the LITV an CLTV of the transaction.

The AHOP applicant can only enter into a purchase contract to purchase an eligible Antioch home after they have received a PEN from BAAHA and first-loan preapproval from their BAAHA Certified lender.

- 4) ***First Lender Approval and Submittal of Lender Package to BAAHA by the 1<sup>st</sup> Lender.*** Upon an AHOP applicant entering into a purchase contract, all the information and documents identified in the below Lender package must be delivered to BAAHA. Information must be delivered to a secure Drop Box that will be assigned to the first lender. BAAHA must receive all required information prior to commencing underwriting the City's AHOP Program approval. For questions regarding the information and documents required, contact BAAHA at [info@myhomegateway.com](mailto:info@myhomegateway.com). Additional instructions regarding the Lender Package are provided below.
- 5) ***Processing, Underwriting Review of Lender Package, and Timeline.*** The material provided by the 1<sup>st</sup> lender and applicant will be underwritten to determine if the AHOP applicant meets all the Program requirements to secure a City AHOP subsidy. Program requirements will include and not be limited to: i) household/applicant must be within Program income limits; and ii) Household applicant must meet all other Program requirements. The time required for BAAHA to process the information and documents submitted will be dependent on: a) the accuracy and completeness of the material provided; b) the level of discrepancies and problems encountered in reviewing and processing all the information provided; and c) the responsiveness and follow up executed by all parties involved in the approval process, including and not limited to the lender, borrower, title/escrow company, HOA staff, appraisers, BAAHA staff, and City of Antioch staff. Time lines that first lenders must take into account and adhere to include:
  - BAAHA requires the purchase contract to provide at least 25 days to remove the AHOP approval contingency
  - BAAHA requires the purchase contract to provide at least a 45 day close for AHOP subsidized transactions
  - BAAHA requires that first loan interest rate locks are for at least 60 days.
- 6) ***City AHOP Approval.*** Upon the City providing a final approval for the AHOP subsidy, BAAHA will issue a copy of the City's signed AHOP Program approval notification to the first lender.
- 7) ***Close of Purchase Loan.*** BAAHA will draw up all the documents to be executed by the City of Antioch. These documents will include: i) AHOP Promissory Note, ii) AHOP Loan Agreement; iii) AHOP Deed of Trust; iv) AHOP Request for Notice of Default. These documents must be reviewed and signed by City Staff. Coordinating City staff to sign documents may take some time. BAAHA will issue escrow instructions and have all City executed documents directed to Escrow for processing (including signatures and recording).

### **Lender Package - 1st Lender Required Documents**

The first lender is required to provide the following borrower related documents to BAAHA to secure a City AHOP Program approval and subsidy. The below documents are required *for all adult household members required to be on title*:

- 1003 – loan application
- 1008 – transmittal summary – summary must provide the low middle FICO score, the interest rate must be at the market rate, and clearly identify the terms of the purchase. The housing ratio may not be below 28% and the back end debt ratio may not be higher than 45%.
- Lender loan preapproval letter.
- Closing estimate – as per NMLS and CDRE requirements.

- Last two consecutive pay check statements for all adult household members that are required to be on title.
- Two past years of federal tax returns (2023 and 2024). Do not provide State tax returns.
- Two past years of W-2s (2023 and 2024).
- Two most recent statements for checking, savings, investment, and retirement accounts; including any statements related to Certificates of Deposit.
- Copy of driver's license or other form of government issued identification.
- Two statements from two different sources, such as a phone or insurance billing, that verifies the address where the household resides.

**Property Appraisal** – Upon the borrower identifying and securing an executed purchase contract for an AHOP eligible property, the first lender must deliver a copy of an appraisal conducted by a California licensed appraiser to BAAHA. The appraised value of the property must equal or be greater than the purchase price of the property.

Documents provided to BAAHA by the first lender can be downloaded into a secure zip file and sent to BAAHA by email, or can be delivered to a secured BAAHA drop box. Contact BAAHA at [info@myhomegateway.com](mailto:info@myhomegateway.com) to make arrangements to access BAAHA's drop box. All PDF files sent by email, must be sent to [info@myhomegateway.com](mailto:info@myhomegateway.com).

All information and documents requested to conduct the AHOP approval must be provided in order for BAAHA to initiate and complete the AHOP Approval. *Correspondences with BAAHA must be conducted by email at [info@myhomegateway.com](mailto:info@myhomegateway.com).*

### **How to Streamline AHOP Approval Process**

Below is a list of Lender procedures that will help streamline and expedite the BMR/DALP city loan refinance approval process:

- Make certain that your household does not enter into a purchase contract until they have received a PEN, and the first lender has provided a preapproval with the maximum approved purchase price.
- Make certain to submit a complete Lender Package and all required information and documents.
- Do not lock the loan until after you have issued a first loan preapproval and the borrower has entered into a purchase contract to purchase a home in the City of Antioch. Make certain that the buyer is still within the AHOP financial program parameters at the time they submit their purchase offer.
- Expeditiously respond to all questions and requests that BAAHA provides you. Be accurate, detailed, and transparent with your answers.
- Understand that the AHOP approval process is complex and has many moving parts. Be patient and support the process in any way that you can.