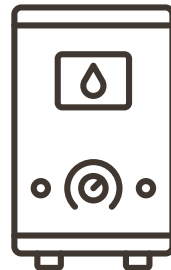
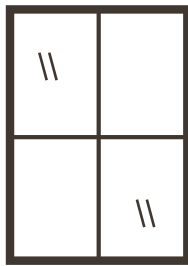


# Emergency Repair Program Guidelines




EQUAL HOUSING  
OPPORTUNITY

**Community Development  
Housing Division**

200 Civic Center Way  
El Cajon, CA 92020  
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# EMERGENCY REPAIR PROGRAM (ERP) GUIDELINES

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# EMERGENCY REPAIR PROGRAM

## I. Purpose and Objective

The purpose of the Emergency Repair Program (ERP) is to address immediate health and safety issues for very low-income households in the City of El Cajon using Community Development Block Grant (“CDBG”) funding from the U.S. Department of Housing and Urban Development (“HUD”). Properties must be owner occupied single-family homes and mobilehomes within eligible mobilehome parks within City limits.

Eligible Parks for Mobilehomes - Unit must be located in an eligible mobilehome park. Eligible parks are mobilehome parks in the City of El Cajon that meet all current State of California Health & Safety Code requirements (§18400.1). At this time, only the following mobilehome parks qualify:

- El Cajon Valley Mobile-home Parks (410 S. First Street)
- Lexington Mobile Estates (1430 E. Lexington Avenue)
- Lynwood Mobile Estates (1285 E. Washington Avenue and 716 S. Second Street)
- Melody Trailer Park (1313 E. Moan Street)
- Palms Mobile Homes (212 S. Second Street)
- Safari Mobile Lodge (1174 E. Main Street)
- Sahara Mobile Lodge (1345 E. Madison Avenue)
- Villa Novia (1440 S. Orange Avenue and 1490 S. Orange Avenue)

## II. Program Overview

The ERP is administered by the City of El Cajon Community Development Department - Housing Division (CDD-HD). This program is designed to make funds available to income eligible owner-occupied homeowners with a forgivable loan to make emergency repairs to single-family homes and mobilehomes within eligible mobilehome parks that are within City Limits. The City assistance is provided in the form of a loan that is forgiven one-fifth (1/5) for each year of certified and verified owner-occupancy for a total of five (5) years. After the end of the five-year loan term, the loan converts to a grant and is completely forgiven.

Program assistance will only be awarded to qualified homeowners for eligible emergency repairs. Each eligible homeowner (borrower) can receive no more than one forgivable loan (loan) up to \$10,000. The final loan amount will be determined by the Program Administrator and determined on an individual basis. Borrower must not have previously received a grant from the City of El Cajon.

In exchange for the Program assistance, the Borrower will sign a Deed of Trust in favor of the City for the amount of the loan, a Promissory Note and a Regulatory Agreement (Loan Agreements) that requires the homeowner to maintain their ownership and occupancy of the home as their primary residence. For mobilehomes, the City will record the promissory note with the State of California Department of Housing and Community Developments’ (HCD) Registration and Titling District Office.

Priority assistance will be given to the following:

- Applicants who reside in the City’s Environmental Justice Areas (Exhibit A) or located in a Racially and Ethnically Concentrated Areas of Poverty (RECAPs) (Exhibit B);
- Seniors<sup>1</sup> age 62 and over; or

- Applicants with a severely disabled<sup>2</sup> household member.

<sup>1</sup>See Definitions Section on page 8.

<sup>2</sup>See Definitions Section on page 8 & 9.

The applicant must have an income that does not exceed fifty percent (50%) of the Area Median Income (AMI) according to household size. The single-family home or mobilehome must be owner occupied and Applicant and Borrower information must match ownership title records. The borrower may seek additional assistance from the City's Housing Rehabilitation Loan Program (HRLP). The Borrower must not have an outstanding loan with the City or El Cajon Housing Authority, acting as the Successor Housing Agency to the former El Cajon Redevelopment Agency.

### **III. Eligible Items**

Loan proceeds will be released directly to the approved homeowner's contractor to be used for eligible improvements and construction expenses including:

- Permits
- Construction Labor and Material Costs

Eligible costs include only minor emergency repairs such as electrical repairs, replacement of water heaters, leaking or broken windows, roof repair, plumbing repairs, HVAC replacement, and other eligible emergency repairs that impact the habitability of the unit.

#### **Ineligible items include\*:**

- Interior furnishing
- Moving expenses
- Landscaping
- Luxury Items (e.g. pools and non-standard grade items)
- Window Air Conditioning Units

\*Labor costs for homeowners to rehabilitate their own property, replacement or installation of air conditioning window units and repairs/rehabilitation of swimming pools are ineligible pursuant to CDBG guidelines found at HUD CDP Notice 2023-10. Requested repairs may be deemed ineligible by the Program Administrator after closer review and inspection.

### **IV. Loan Terms (5-Year Forgivable Loan)**

The borrower who owns a single-family home is required to sign Loan Agreements that create a lien on the property for exchange in receiving the City's ERP forgivable loan. The Loan Agreements stipulate the terms and conditions that will be placed on the property requiring the owner occupancy of the property during the five-year loan term. A borrower who owns a mobilehome in an eligible mobilehome park, will be required to sign a promissory note and sign the necessary documents for the City to perfect a lien on the mobilehome at HCD's Registration and Titling District Office.

Prepayment of the loan is permitted without penalty. However, a transfer or renting of the unit may accelerate the loan term unless the new owner assumes the existing loan term and restrictions and meets the income and all other program requirements.

No interest accrues during the five-year term and one-fifth of the loan is forgiven for each year of verifiable owner occupancy. If the borrower is in default of the Loan Agreements, the City will accelerate the loan and the outstanding loan amount will be due and payment including any default interest rate.

Affordability Level (Income Limits of Borrower)	Term <sup>3</sup>	Affordability Period	Interest Rate
<50% AMI (Very-Low Income)	5 Years	5 Years	0% deferred

<sup>3</sup>See Definition Section on page 9.

Borrowers may opt out of the Loan Agreement by repaying the loan in full (principal plus any accrued interest) when they wish to opt out. The principal and all accrued interest will be due in full upon the earlier of:

- Borrower choosing to opt out of the Program.
- Primary Residence is no longer owner occupied.
- Sale or transfer of title of primary residence.
- Uncured default by borrower on the 1st Trust Deed Note.
- Uncured default by borrower on the City’s Regulatory Agreement and related Loan Documents.
- Discovery of any misrepresentation or fraud in connection with any aspect of the Program.
- Refer to the Loan Agreements for all terms and conditions.

**V. Borrower Eligibility and Underwriting Guidelines**

- Borrower and any Co-Borrowers must have a minimum credit score of 620.
- A credit report for all household income earners is required. All debt of all income earners will be used in the debt-to-income ratio calculations. Borrower may obtain online at [www.annualcreditreport.com](http://www.annualcreditreport.com) or through an independent source a full credit report for each person on title to the property.
- Front End and Back End Ratio for single-family homes shall not exceed 50%.
- All collections and judgments must be paid in full; no exceptions.
- Bankruptcy and Foreclosures within the last five years will result in a denial of assistance. The five-year period begins after the final determination, not the time of the initial discharge.
- Child Support and Alimony payments must be current and with no arrears.
- Borrower and any Co-Borrowers must have sufficient equity in the property to obtain the City forgivable loan.
- The subject property must be the primary residence of the homeowner.
- Borrower must cure any outstanding code enforcement issues if City assistance is being used to make the repairs in order to bring the unit back into compliance.
- Maximum combined loan-to-value ratio of 75% or less for single family homes;
- Every individual on the note and title must have a social security number; and
- The Borrower or any Co-Borrower must be either a U.S. citizen or a permanent resident alien; the borrower must show proof of legal residency.
- Mobilehome owners must have sufficient income to make the monthly space rent and other housing costs.
- Single-Family homeowners must have sufficient income to make the monthly mortgage payments and any other housing costs (PITI).

## VI. Eligibility of Borrower Household Income and Calculation

Pursuant to the terms of the Regulatory Agreement, the Program Administrator will verify household income of each income earner prior to acceptance of the program and annually during the term of the loan.

### A. Household Income Limit (depending on household size)

Household Size*	1	2	3	4	5
50% of AMI** HUD	\$53,050	\$60,600	\$68,200	\$75,750	\$81,850

\* For larger households: <https://www.hudexchange.info/resource/5334/cdbg-income-limits/>

\*\*\* Effective May 1, 2024-HUD Income Limit.

### B. Income

Gross income of the household includes all sources of taxable and non-taxable income, derived from: salary, base pay, overtime and/or double-time compensation, part-time earnings, bonuses, commissions, dividends, interest, royalties, pensions, veterans administration compensation, alimony, child support, survivor benefits, foster care support, adoption care support, public assistance, social security benefits, unemployment compensation, income received from a trust, income received from business activities, bank accounts, investments, recurring contributions or gifts regularly received from entities or persons not residing in the dwelling, and any other source of income not listed above. Gross income is income before taxes, withholdings or deductions. The City will use HUD's Part 5 Method to calculate household income.

[https://www.hud.gov/sites/documents/DOC\\_35649.PDF](https://www.hud.gov/sites/documents/DOC_35649.PDF)

The eligibility calculation represents income of all adult (18 years or older) household members regardless of the length of employment. This includes all borrowers that are on title and all household members.

The Program Administrator will do a full underwrite of the file and use its own income calculation independent of the borrower's income calculation.

Documentation regarding income must cover a minimum of two months and must be current within the most recent 30-day period preceding the loan closing. See Income Qualifications section below for required documentation.

Non-disclosure of any material fact or misrepresentation of information will result in permanent disqualification of the borrower and/or loan officer.

The Program Administrator, at its sole discretion, reserves the right to request any supporting documentation necessary to accurately calculate the household income and may use alternative methods for calculating income based on information and documentation available.

The City will post the official City program income limits on its website at [www.elcajon.gov/housing](http://www.elcajon.gov/housing).

### C. Cooling Off Period for Declined Applications

If an application is declined for not meeting the program requirements, there will be a 12-month cooling off period before a new application will be accepted.

The Program Administrator, at its sole discretion, reserves the right to refer to the original application

to confirm consistency and may deny the new application based on the previous application.

## **VII. Waiting List**

Based on funds budgeted for the program, the Program Administrator may establish a priority waiting list system to ensure Program funds are used in areas of the city with the greatest priority need. The Administrator therefore may at its discretion utilize the following priority point system:

- 1 point - Located in an Environmental Justice Area or RECAP area within City limits
- 1 point - Households consisting of senior and/or disabled persons
- 1 point - Income Qualified Households
- On a case-by-case basis the Program Administrator may also utilize factors to affirmatively further fair housing.

## **VIII. Subordination Procedure**

Staff will only consider subordinating the City lien to refinancing of first liens that are being proposed for purpose of obtaining a fixed rate loan and/or lower monthly payments. All subordination fees shall be paid by the property owner.

Requests that are for the following purposes will be denied:

- Cash out: removing equity from the property for cash;
- Debt consolidation: removing equity from the property for money to be paid directly to creditors to pay off debt; or
- Obtain an adjustable-rate mortgage: any loan product that is not fixed for the entire life of the loan.

## **IX. Rehabilitation Standards**

All projects financed through the ERP must meet the requirements and regulations in 24 CFR Part 570 and all other applicable laws.

## **X. ERP Process**

### **A. Application**

Staff must receive a complete application packet, which will include the following completed and signed forms:

- City's Loan Application
- Loan Disclosures

The following documents pertaining to the existing mortgage on the primary residence will also be required:

- Copy of Form Deed of Trust
- Copy of Form Promissory Note
- Proof of Fire Insurance and Homeowners Insurance
- Copy of most recent Property Tax Bill
- Most recent Mortgage Statement

### **B. Income Qualification**

As stated in the Income section above, the ERP forgivable loan will only be provided to households

with a gross income that does not exceed 50% AMI using CDBG income limits and household income will be calculated using 24 CFR Part 5.609. The complete guide to calculating household income can be found here: [https://www.hud.gov/sites/documents/DOC\\_35649.PDF](https://www.hud.gov/sites/documents/DOC_35649.PDF)

**C. Initial Assessment:**

Program Administrator shall make the initial assessment as to whether the individual would qualify for the ERP, based upon the underwriting guidelines and borrower eligibility. All findings shall be noted in the applicant's file.

Upon completion of the application review, staff shall send a letter to the applicant notifying them of their status. The letter shall include a phone number, contact person and details regarding the processing time and procedures.

**D. Deed Restriction**

Homeowners who wish to participate in the ERP sign a Regulatory Agreement (deed restriction for mobilehomes) that requires them to occupy their home and meet the initial qualifications. For mobilehomes, a promissory note will be required.

**XI. Contractor Eligibility Process**

Applicants must obtain three bids for rehabilitation of their property.

The selected contractor must be approved by the City by submitting a Contractor Application to the City providing the following documents (but not limited to):

- A valid California State Contractor's License;
- El Cajon Business License; and
- Insurance, including:
  - General Liability insurance in the amount of \$2 Million dollars (Additional Insured Endorsement designating "City of El Cajon, its elected officials, employees and volunteers");
  - Proof of Commercial Auto Liability insurance (any auto) in the amount of \$1 Million dollars; and
  - Proof of Worker's Compensation insurance.

Contractor must obtain building permits for any rehabilitation work that requires a permit for repair or replacement. Additional information can be obtained by contacting the City of El Cajon's Building Safety Department at 619-441-1726; option 2, or email [building@elcajon.gov](mailto:building@elcajon.gov). Contractors will also be required to sign a Notice to Proceed regarding the scope of work and policies for reimbursement.

All applications submitted before the deadline will be reviewed upon submission. The number of project applications awarded will be determined by the amount of available funding and financing need.

**A. Notification of Award**

Once the Program Administrator has made the final determination, staff will provide written notice of the results to each applicant. For applicants that have been approved, an Affidavit of Responsibility, Deed of Trust, Promissory Note, and Regulatory Agreement shall be included in the correspondence. The Loan documents shall be on forms previously approved by the City Attorney's Office. All documents must be signed and returned before a loan is made and any work may begin.



For mobilehomes, a Promissory Note shall be included in the correspondence.

### **B. Affidavit of Responsibility**

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

Once staff has received the signed documents, a letter will be sent to the licensed contractor indicating work may begin after building permits have been issued, and shall indicate the name of the borrower, address, loan amount, and the process for payment.

Once all permitted work has been completed and approved by the City, the loan will be available to close and the Deed of Trust and Regulatory Agreement will then be recorded through the County Recorder's Office for a single-family home and the promissory note through HCD's Registration and Titling District Office for a mobilehome. A copy will be given to the borrower, the appropriate City Finance Department Staff, and placed in the borrower's file with the City.

### **C. Loan Disbursements to Contractors**

The licensed contractor must have the borrower sign and staff review the payment invoice and Request for Payment for each requested reimbursement. The licensed contractor must then submit the Request for Payment invoice to the Program Administrator. All required inspections during the rehabilitation construction period will be conducted in accordance with the City's building permit requirements. Upon completion of all work, a Final Inspection will be conducted prior to final payment. Program Administrator or appropriate Housing staff will approve contractor progress payments after progress inspection and place inspection documentation in the applicant's file.

Staff will submit all invoices and prepare a request for payment to the City Finance Department in accordance with the City's standard payment process and schedule. All current contractor's insurance and license information must be on file with the City in order to process payment.

The following typical Payment Schedule should be followed for disbursement requests, unless more frequent disbursements are authorized by the Program Administrator:

- Advance of 10% of construction work pursuant to the Construction Agreement
- Progress at 35% of completion
- Progress at 60% of completion
- Progress at 90% of completion
- Retention/Final Payment

## **XII. Loan Servicing**

The City of El Cajon's CDD-HD will service the portfolio of the ERP loans in-house, and will be responsible for the following:

- Fund Disbursement Services;
- Loan Servicing and Portfolio Management; and

- Delinquency and Default Management.

The CDD-HD reserves the right to contract with a third party for loan servicing or loss mitigation services.

#### **A. Loan Default Procedures**

Should staff receive notification that non-payment of the first trust deed or a default on the City of El Cajon's second trust deed has occurred, the City Attorney's Office will be notified, and the following process will be followed:

- A letter will be sent to the Borrower requesting documentation showing proof of payment or an explanation of non-payment;
- Notice of Default will be sent if no response is received and if Borrower remains in non-payment status; and
- Notice of Sale will be published and normal sale procedures will be followed in accordance with California Civil Code. §2923.55.

#### **B. Assignment of Rents**

Assignment of Rents shall be set forth in the signed Deed of Trust.

#### **C. Loan Payoff**

The Program Administrator or CDD-HD staff must review all requests for payoff demands. A letter will be generated, in the form of a payoff demand, indicating the borrower's name and address, payoff amount, and procedures for payoff. Upon full repayment of the loan, the Program Administrator or Housing staff will execute and record a Reconveyance to the Deed of Trust and Release of the Regulatory Agreement. Originals of the Promissory Note will only be relinquished upon full payment of the loan. An administrative fee will be charged for each transaction, equal to the cost of recording and staff time in processing the payoff demands.

#### **D. Annual Monitoring**

ERP participants will be subject to owner occupancy requirements for a period of five years. The requirements are set forth in a signed and recorded regulatory agreement.

Upon completion of the rehabilitation, annually each year during the term of the loan, the Borrower shall certify to the City their occupancy of the residence that participated in the ERP. The Borrower shall submit such documentary proof as requested by the City regarding their occupancy such as a signed affidavit and utility bill at least annually.

### **XIII. Definitions**

**Senior:** An elderly person 62 years of age or older (HUD definition)

**Severally Disabled:** A severally disabled person, according to HUD's definition, are considered to have a severe disability if they meet criteria 1, 6 or 9, or have Alzheimer's disease, or another mental/developmental disability; or are unable to perform or need help to perform one or more of the activities in criteria 2, 3, 4, 7 or 8 of the following:

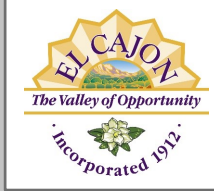
- 1) Using a wheelchair, a cane, crutches or a walker;

- 2) Difficulty performing one or more functional activities (seeing, hearing, speaking, lifting/carrying, using stairs, walking or grasping small objects);
- 3) Difficulty with one or more activities of daily living (getting in or out of bed or a chair, bathing, dressing, eating, toileting, getting around inside the home);
- 4) Difficulty with one or more instrumental activities of daily living (preparing meals, doing light housework, keeping track of money and bills, going outside the home, taking prescription medicines in the right amount at the right time and using the telephone);
- 5) One or more specified conditions (a learning disability, mental retardation or other developmental disability, Alzheimer's disease, or some other type of mental or emotional condition);
- 6) Other mental or emotional conditions that seriously interfere with everyday activities (frequently depressed or anxious, trouble getting along with others, trouble concentrating or trouble coping with day-to-day stress);
- 7) A condition that limits the ability to work around the house;
- 8) If age 16 to 67, a condition that makes it difficult to work at a job or business; or
- 9) Receives federal benefits based on an inability to work.

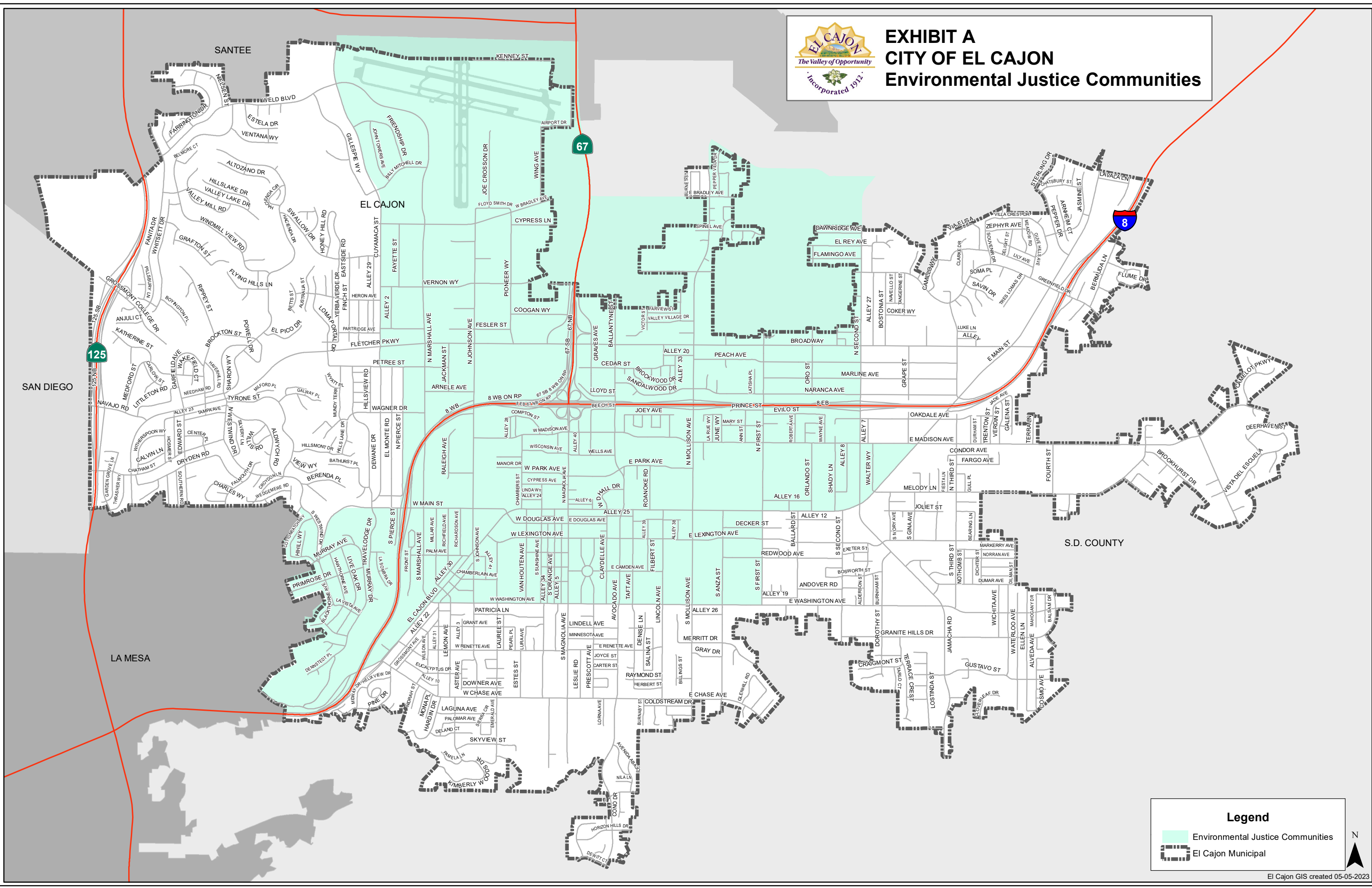
**Term:** 1/5 of the loan amount is forgiven for each year of verifiable occupancy during the five year affordability period. Default interest will be triggered if borrower does not meet the terms of the Agreement.

# **EXHIBIT A**

Environmental Justice Areas Map



# EXHIBIT A CITY OF EL CAJON Environmental Justice Communities



**Legend**

- Environmental Justice Communities
- El Cajon Municipal

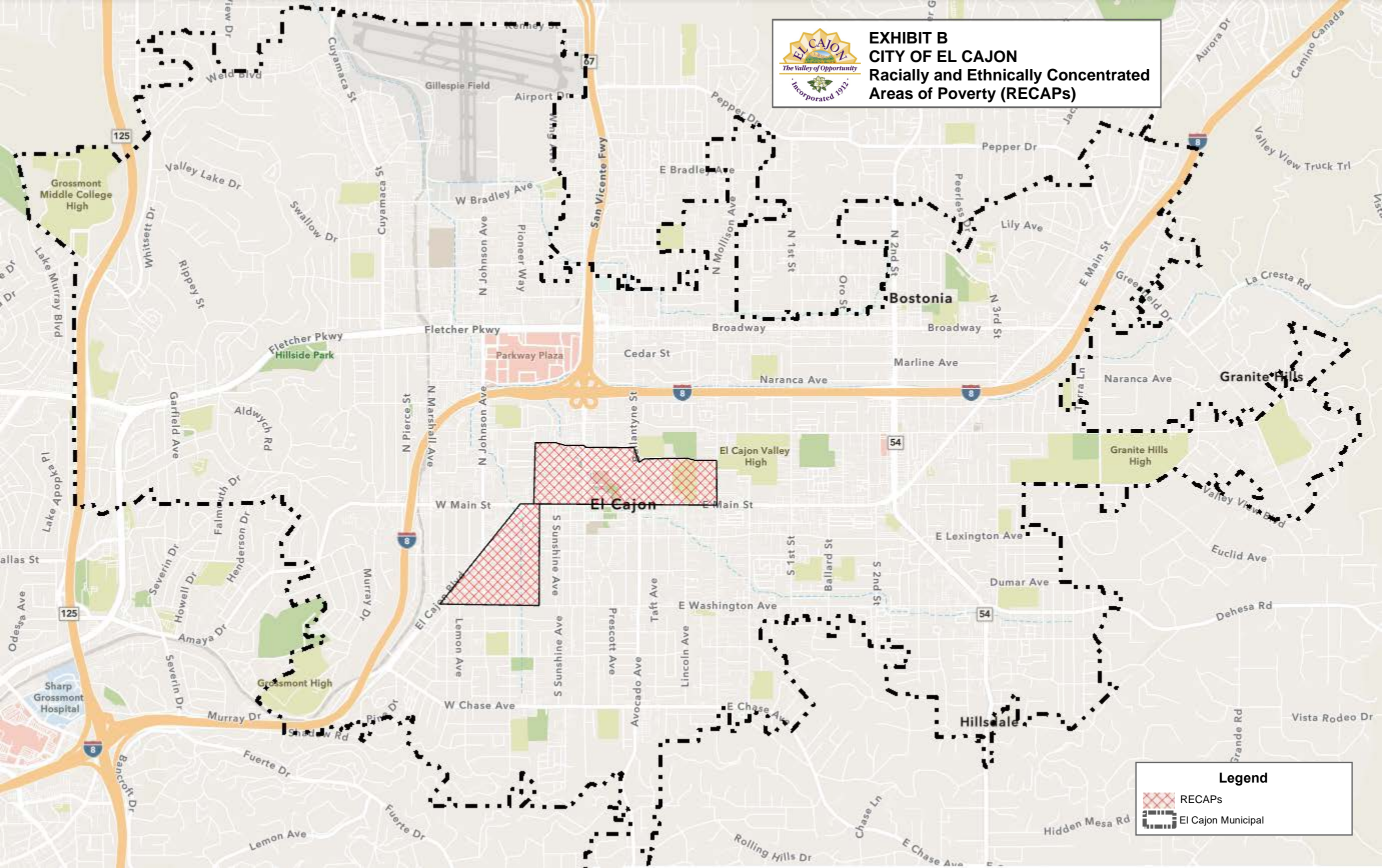


# **EXHIBIT B**



Racially and Ethnically Concentrated Areas of Poverty (RECAPs) Map



**EXHIBIT B**  
**CITY OF EL CAJON**  
**Racially and Ethnically Concentrated**  
**Areas of Poverty (RECAPs)**



**Legend**

-  RECAPs
-  El Cajon Municipal