



COMMUNITY HOUSING DEVELOPMENT CORPORATION (CHDC)
FINANCING ASSISTANCE IN DISADVANTAGED COMMUNITIES
IMPLEMENTATION MANUAL
UPDATED MAY 20th, 2019

The Financing Assistance Pilot Project provides assistance opportunities to enable lower income consumers to purchase or lease advanced technology vehicles, resulting in immediate greenhouse gas and criteria pollutants benefits. In addition, this project enables consumers to become more comfortable and familiar with advanced technology vehicles throughout California.

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1. Applicant Eligibility Guidelines

Guidelines have been established in partnership with the California Air Resources Board for determining program eligibility. The following has been developed as the eligibility standards for a credit application with the Light-Duty Financing Assistance in Disadvantaged Communities Pilot Project.

Service Area and Length of Residency

- Alameda, Contra Costa, Solano, San Francisco, Santa Clara and Santa Cruz, San Mateo, Marin, Napa, Yolo, Sacramento and Sonoma Counties.
- Low-income and disadvantaged residents living within the County Limits
- Must be 18 years of age or older
- Must have a valid California Driver's License
- Must reside and register the vehicle in the State of California for the duration of the grant or loan period.
- Applicant must agree to complete a survey annually for three consecutive years.
- Applicant must purchase and maintain required State automotive insurance (see page 13 for requirements)

Employment Guidelines (Applicant)

- Must have verifiable income such as employment, SSI or retirement income

Must have an income level at or below 400% of Federal Poverty Level. **See Federal Income Limits.** <https://aspe.hhs.gov/poverty-guidelines>

Ability to Pay/Budget Counseling

- Must demonstrate the ability and willingness to repay the loan as determined through the application process (see page 8 section C)

- Upon completion of the monthly budget form, must have enough income to afford loan and maintenance of the vehicle when needed.

Financial Education Training

- Client must attend a Financial Education course online provided by FDIC Money Smart. The four Modules to be completed are Credit and Borrowing, Budget, Savings/Pay Yourself First and Basic Banking utilizing the following link <https://www.fdic.gov/consumers/consumer/moneysmart/index.html>

A. Initial Inquiry

All inquiries of the Community Housing Development Corporation's (CHDC) Financing Assistance Pilot Project will be screened for eligibility. At the point of inquiry, the inquirer will be asked specific questions to determine their eligibility.

CHDC will utilize their intake forms to monitor and record all incoming inquiries. This form provides a template to determine eligibility information, including name, address, phone number(s), references, employment or student status, loan request, and any other related information.

If eligibility is met, the client will be required to attend the financial education component of the program.

B. Financial Education/Budget Counseling

CHDC's Financing Assistance Pilot Project endeavors to provide an educational component to the services provided. For all individuals who have applied for a loan/grant, it is a requirement to attend a financial education class provided by FDIC Money Smart Online Curriculum. CHDC also provides a budget counseling interview after the application has been received from the applicant. In the budget counseling interview, the applicant is assisted in establishing a personal monthly budget. Suggestions are given in an effort to improve possible net income, make payment arrangements and utility budgeting. The applicant is counseled on items appearing on their credit report and alternatives for improvement.

It is the goal of CHDC's program to assist the loan/grant recipient towards self-sufficiency and financial planning is a major component for achievement.

C. Consumer Protection

CHDC ensures applicants are protected from predatory lending by ensuring that all applicants receive resources such as the Federal Trade Commission's "Protecting

America's Consumers" at <https://www.ftc.gov/about-ftc/bureaus-offices/bureau-consumer-protection> and <https://www.debt.org/credit/predatory-lending/>. Laws against predatory lending are designed to prevent businesses that engage in fraud or unfair practices from gaining an advantage over consumers. Predatory lending imposes unfair or abusive loan terms on a borrower and convinces a borrower to accept unfair terms through deceptive, coercive, exploitative or unscrupulous actions for a loan that a borrower doesn't want or can't afford. Our one on one counseling ensures applicants are ready and able to afford the loan they are applying for at a reasonable interest rate of 8%.

D. Vehicle Maintenance Training/Resources

Our vehicle maintenance resources provide information to applicants about the following:

1. California Bureau of Automotive Repair: 5 Reasons to Read Owner's Manual at <https://www.bar.ca.gov/>
2. Online resources for recalls at www.recalls.gov
3. U.S. Department of Energy's Plug-in and Electric Vehicle Handbook for consumers at https://afdc.energy.gov/files/pdfs/pev_handbook.pdf
4. U.S. Department of Energy handbook on maintenance and safety of hybrid and plug-in hybrid vehicles at <https://afdc.energy.gov/vehicles/electric.html>
5. Replace your Ride: Alternate Fuels and Advanced Vehicles at <https://afdc.energy.gov/fuels/>
6. Frequently asked questions about hybrids and electric vehicles at www.driveclean.ca.gov
7. California Energy Commission's handout on hybrid and electric vehicles at <https://www.energy.ca.gov/altfuels/index.html>
8. Pamphlet on California Alternative and renewable fuel vehicle at <https://www.energy.ca.gov/altfuels/index.html>

E. Outreach/Marketing

CHDC will perform ongoing outreach through social media, Social Services Agencies, local employers, etc. We will also utilize flyers and brochures to reach other service areas through print advertisements, one-on-one presentations and stakeholder meetings. These one-on-one meetings/presentations are either in a group setting at a specified location to introduce and explain the Financing Assistance Pilot Project or to decision makers to obtain their buy-in or place project flyers at their location.

2. Loan/Grant Uses and Limits

The limits established are a working outline. Based upon need and the borrower's situation some discretion will be used. The loan limits cannot exceed \$20,000. The participant must contribute at least \$1000 towards the total cost of the vehicle in conjunction with a grant. This requirement can be met through vehicle financing of at least \$1000 in loan repayment or by an up-front payment in cash

Loan Uses and Limits

Used/New Vehicle Purchase	\$20,000
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GRANT LIMITS

Maximum amount allowable for Battery Electric and Plug-in Electric vehicles \$5,000

Maximum amount allowable for Hybrid Vehicles \$2,500

Maximum amount allowable for Electric Vehicle Supply Equipment (EVSE) \$2,000

A mechanics check is required for the final Vehicle loan to be approved. This must be paid out-of-pocket by the applicant and will not be reimbursed by CHDC. The mechanic used can be a third-party independent mechanic but must be listed with the California Bureau of Automotive Repair (<https://www.bar.ca.gov/>) and the license number must be included on the mechanics checklist. If the mechanic used is associated with a certified auto dealer, the diagnosis check on the vehicle provided by the auto dealer will suffice.

Eligible Vehicles

All vehicles purchased through the program must be Advanced Technology Vehicles and they cannot be more than 8 years old. There is currently no limit to mileage, but this could change in the future. **Vehicles purchased are limited to Hybrid, Plug-in Hybrids and Battery Electric vehicles.**

For a used vehicle purchase, the U.S. Environmental Protection Agency combined fuel economy rating must be at least 25 miles per gallon of fuel or more depending on the model year.

Vehicles with the following characteristics are not eligible for this program:

- a. A chassis that has been modified with after-market parts or equipment to create a PHEV or a zero-emission vehicle is not eligible.
- b. No modification to the vehicle's emission control systems, hardware, software calibration, or hybrid system (California Vehicle Code (CVC) section 27156).

c. Vehicle title cannot be salvaged (as defined in CVC 544).

Model Year	Minimum U.S. EPA Combined Fuel Economy Rating
2011	25
2012	28
2013	29
2014	30
2015	31
2016	32
2017	37
2018	37
2019	40
2020	42

Loan Interest and Payment Terms

Loan repayment terms are based on the number of months the borrower is willing to finance the vehicle. The terms for loan maturity cannot exceed sixty (60) months.

The loan will be provided to the borrower at an interest rate not to exceed 8%.

The CHDC Loan Coordinator and the borrower will discuss the loan details to determine what would be the best amount and term in the borrower's current situation.

Electric Vehicle Supply Equipment (EVSE)

Consumers purchasing a Battery Electric and Plug-in Hybrid vehicle may request an additional grant to purchase and install an EVSE at their place of residence. Our partner GRID Alternatives will provide installation services for all qualified applicants.

3. Application

Eligibility for the Financing Assistance Pilot Project will be communicated to the applicant upon initial inquiry. If initial eligibility has been established an application will be provided to the applicant. The completed application must be returned, and the applicant will be interviewed to determine final eligibility before their application is submitted to our preferred lender. Just because a loan application has been completed does not mean credit will be granted. All credit decisions made will be maintained in our records for the required federal guidelines.

A. Loan Application Packet

Upon determination that the inquirer has met the initial eligibility requirements of the loan program and has attended a financial education class, an application packet will be provided promptly. The following describes the packet contents and the process for getting a complete application.

Application Packet

- Inquiry letter to loan applicant
- Loan application document checklist (required).
- Loan Program Application (required).
- Monthly Budget Expense Form (required).
- Income Verification (required).
- Housing Verification (required).
- Mechanics Verification form (if applicable)
- Community Housing Development Corporation's Privacy Notice
- Applicants may include a Personal Statement to describe their need for the vehicle (optional).

Verification forms are used to ensure accurate information are obtained and reported. It is the applicant's responsibility to have these forms completed. The applicant will return the completed forms along with the application to CHDC for further processing.

Processing the Eligible Inquiries

- Upon receipt of the application and required materials, the applicant will be contacted for an interview appointment. Any further documentation that is needed will be made clear to the applicant.

B. Acceptable Forms of Identification

A Valid California Driver's License is required for all applicants.

As part of the application process, various items require verification. These verifications become a screening element for loan approval. Written and completed verification forms are more tangible than the applicant's self-verification. The Loan Program has established the following guidelines to assist in making a sound business decision.

Information regarding housing and employment (paystubs) or other verifiable income will be included in the loan application packet.

For verification of income the applicant must present at least 1 month of pay-stubs, if available, to determine gross monthly income, working hour stability and verification of deductions. Any other source of income as such Social Security Insurance (SSI), pension or retirement funds must be verified by documentation from the source.

For verification of housing, the applicant must submit a valid documentation of their mortgage if they are buying versus renting. Verification must consist of the most recent mortgage statement reflecting the prior month's payment and balance along with their year-end tax document reflecting annual payments and interest if available. For those applicants who are renting, we would require their landlord's information or staff member from their building management team.

Utility bills for the past 1 months must be presented with the application.

Any other monthly obligations must be verified by the most recent statement received.

A credit report will be pulled on eligible applicants and utilized as verification of revolving charge accounts, auto loans, outstanding debt and credit counseling. The credit score is not the sole determinant of a loan approval. Other factors such as income and family need are evaluated, and approval is determined on a case by case basis.

C. Disposable Income

Qualified applicants must demonstrate the ability and willingness to repay the loan as well as including the total vehicle expense to the current monthly obligation to ascertain affordability. The following addresses the steps taken to determine disposable income for an applicant.

- A monthly Living Expense form is included in each loan application packet for completion.
- During the application interview all verifications of income, housing expenses and other debts are reviewed.
- The Monthly Living Expense form is reviewed for completeness.
- A credit report is pulled to review debts outstanding.
- Adjustments are made accordingly.
- Income is calculated, reviewed and entered in the summary area of the form
- Expenses are calculated and entered the summary area.
- Total expenses are subtracted from total net income to determine total disposable income.

- If the disposable income calculated is in the negative, time is spent with the applicant discussing options and alternatives. The applicant is advised that the application can still be submitted but the probability of the loan approval is low.

D. Applicant Credit Bureau Report

A Credit Report will be generated as part of an eligible credit application. The Credit Report will be utilized as a screening tool, for educational purposes and credit counseling.

- The applicant, co-applicant or applicant co-signer must sign a release of consent, acknowledging that credit information will be obtained for possible credit extension. There could be a \$20.00 fee per applicant to obtain the credit report, which CHDC will cover.

E. Use of Credit Reports

For every eligible applicant a credit report will be pulled. The credit report will not be the sole determinant of loan approval. The credit report will be used in the following ways as well.

The Credit Report as a Screening Tool:

- Recent NON-DISCHARGED bankruptcy would disqualify the applicant.
- Number and amount of outstanding judgments.
- Number of recent debt obligations.
- Weighed with other verified information.

The Credit Report as an Educational Component:

- Understanding the report.
- Determination of debt and plan for improvement.
- Budgeting for outstanding debt.
- Awareness of incorrect reported information and ability to correct.
- Information can be explained in client's personal summary that is provided to the committee.
- Better understanding of responsible debt decisions and the effects of those choices.

Annual Surveys

Participants will be required to complete an annual survey until the end of the loan term, or the end of the Financing Assistance Pilot Project term (the grant) whichever is longer.

4. Lending Partners

CHDC has partnered with Travis Federal Credit Union and Beneficial State Bank to provide loans of up to \$20,000 to eligible applicants. The loans provided by lenders are subject to their terms and conditions in relation to extending credit. The interest rate and terms are set based on the grant agreement with the California Air Resources Board. The lenders can decrease the interest rate on the loan based on the applicant's credit history however, the rate cannot exceed 8%.

Any defaulted loans will be subject to the lender's collection policies as well as repossessions and write offs.

5. Banking Agreements

A. Fund Maintenance Strategies

CHDC wishes to maintain a viable loan fund for the longevity of the program. This endeavor will rely on establishing a relationship with the borrower, developing and maintaining funding sources, and collecting data for program outcomes.

B. Repayment Strategies

A positive relationship with the borrower is necessary. This relationship can lead towards the borrower maintaining prompt payment practices which ongoing will replenish the loan fund for additional loans to be made.

- Develop and maintain a positive relationship with borrowers during the application process.
- Refer or provide educational services such as FDIC Money Smart Curriculum at <https://www.fdic.gov/consumers/consumer/moneysmart/index.html> ,
- Auto Maintenance and Recalls at <https://www.recalls.gov/nhtsa.html> and Consumer Protection Resources at <https://www.ftc.gov/about-ftc/bureaus-offices/bureau-consumer->

C. Required Mechanic Inspection

Loans provided for the purchase or refinance of a used vehicle require a mechanic's inspection (120-point) report to be submitted along with the used car purchase invoice, noting the same vehicle, mileage and VIN number. A loan cannot be granted for the vehicle until the 120-point inspection is received. The purpose of this form is to assist in

determining the quality of the vehicle and to ensure there is no recall on the vehicle. If there is a recall, the for the vehicle model, it MUST be fixed before CHDC will allow the loan or grant to go towards the vehicle purchase. The mechanic inspection should not be construed as a guarantee on the operation of the vehicle that has been inspected.

- Upon loan approval the applicant will be given a copy(s) of the mechanic inspection requirements.
- A list of reputable mechanics will be provided but no recommendation will be given as to whom the borrower must use.
- Upon receipt and review of the mechanic's inspection, CHDC may, at its sole discretion, refuse to provide funding for a vehicle which does not appear to be safe, mechanically sound, affordable to maintain, or if its value does not match the sale price. An independent mechanic may be consulted in making this decision.
- The borrower is responsible for the cost of the inspection if the third-party mechanic selected charges a fee. They can expect to pay up to \$150 for this inspection. Additionally, the mechanic at the dealership can inspect the vehicle at no cost to the applicant.

D. Extension of Credit/Approval

After an application has been submitted to the preferred lender, a decision is rendered. If the decision rendered on behalf of the applicant is an approval, the applicant must be notified of the following information:

- Credit extended to applicants must be accepted within five (5) business days from date of loan approval.
- The applicant must activate the loan within thirty (30) days after acceptance of the credit. Any applicant that has accepted the credit but does not activate the credit within the time constraints will be considered a withdrawn application.
- An applicant which has encountered circumstances that necessitate an extension beyond the thirty (30) day time limit must provide a written request, to the Loan Coordinator, detailing the time needed and the reason for the extension, prior to the deadline for activation. The Loan Coordinator will send a request to the lender, requesting an extension of an additional 30 days.
- Withdrawn applicants can reapply after 6 months assuming the reason for the withdrawal is resolved.

Lenders can render a decision to approve a loan request contingent upon other actions occurring. The Lender will discuss the actions that must occur, the time frame given and the reasons for the contingency. Upon the decision being rendered the Loan Coordinator will proceed as follows:

- Contact the applicant as soon as possible to explain to the applicant the lender's decision.
- Set up an appointment to discuss and create a plan to meet the contingency and send a follow up letter to the applicant with the appointment time listed, the loan approval amount and the length of time credit will be extended for the contingency to be met.
- Assist the applicant in creating a plan to complete any actions needed as quickly as possible.
- Verify all steps have been taken and the contingency has been met.
- Inform the applicant of the approval.
- Contact the bank and continue loan process and closing.

E. Loan Application Denial

After an application has been submitted to the lender, a decision is rendered. If the decision of denial has been rendered on behalf of the applicant, CHDC will notify the applicant. The following is the procedure for loan denial notification to an applicant.

- Contact the applicant promptly and explain the reason for denial.
- The applicant would receive a letter of denial in the mail from the lender. A copy of the denial will be kept in the applicant's file. The file will be kept along with all other denial files for a period of 25 months according to Federal Laws pertaining to the "Equal Credit Opportunities Act."

The applicant can reapply through the same process if information can be provided to improve their creditworthiness or if erroneous information was used in determining process for credit extension. The credit score is not the sole determinant of a loan approval. Other factors such as income and family need are evaluated, and approval is determined on a case by case basis.

F. Loan Closing

The Lender will schedule Loan Closing with the Loan Recipient at their convenience. All applicants' loans that had a credit approved with contingency must have completed all facets of the contingency and have provided the appropriate evidence to document in their client record.

- The Loan Applicant for whom credit has been extended must present a Bill of Sale (Purchase Order) to CHDC for the vehicle to be purchased which reflects current vendor information and, when applicable, a mechanic's inspection, proof of insurance, and verification that the title of the automobile can be secured as collateral to the lender. The vehicle dealer will also be required to send the purchase order to the lender.

- A thorough vehicle history (e.g. CarFax) obtained from the car dealer at no cost and Kelly Blue Book report must be included with all the verification documents.

6. Automotive Insurance Requirements

CHDC's Financing Assistance Pilot Project provides loans to qualified borrowers to purchase used advanced technology vehicles. CHDC endeavors to be as cost effect for the borrower as possible with regards to insurance and will require no less than the state minimum requirement auto insurance for any vehicle finances through the loan program.

A. Current California Auto Insurance Requirements

The CHDC loan program has adopted the policy of requiring no less than the State minimum auto insurance on vehicles financed through the loan program. The following components comprise the Minimum Liability Insurance Requirements for Private Passenger Vehicles (*California Insurance Code §11580.1b*):

- \$15,000 for injury/death to one person
- \$30,000 for injury/death to more than one person
- \$5,000 for damage to property

Liability insurance compensates a person other than the policy holder for personal injury or property damage. Comprehensive or collision insurance, on its own, does not meet the vehicle financial responsibility requirements, but can be purchased in addition to liability insurance.

B. Requirement for Maintaining Continuous Coverage

The Borrower is required to maintain continuous auto insurance at or above the required levels. Auto insurance companies are required, by law, to notify lienholders if the insurance policy has been cancelled or suspended for any reason. It is the sole responsibility of the Borrower to maintain coverage and keep payments up-to-date.

If lender is notified of any lapse in coverage, the Loan Officer will call the Borrower to determine the cause for the lapse and to ensure payment is on its way. If the Borrower is unable or refuses to pay for auto insurance coverage, the lender may at its sole discretion purchase a third-party insurance on the vehicle to protect their interest. The cost of this insurance will be added to the borrower's loan payment.

7. Privacy Policy

It is the policy of CHDC's loan program to protect the confidential information of its clients and customers as prescribed under CHDC agency-wide Privacy Policy and as required by the Gramm-Leach-Bliley Act.

In the context of sound business relationships, Ways to Work is in compliance with *Federal Trade Commission, 16 CFR Part 313 Privacy of Consumer Financial Information*; Final Rule, as directed by the Gramm-Leach-Bliley Act. The following is our policy on the collection, use, and disclosure of the information we receive from consumers and customers:

- CHDC collects 1) The information we receive from applications and supporting documentation, such as names, addresses, social security numbers, assets, employment, and income; 2) The information we receive from an individual's experiences with us and with other service providers, such as payment history, transaction parties, insurance policy coverage, and premium amount; and 3) The information we receive from the consumer reporting agencies, such as individual's creditworthiness and credit history.
- CHDC has developed and maintained strict physical, electronic, and procedural safeguards that comply with federal regulations to protect all personal information obtained. We restrict access to this information to only those persons who need to know it in order to provide products or services.
- CHDC shares information regarding our clients and former clients with third parties, such as lenders, collection agencies or repossession firms, only in accordance with these strict security standards and confidentiality policies, and only as may be necessary to process the application and carry out necessary transactions.

8. Wait/Interest List

- In the event where CHDC depletes all funds allocated for grants, an Interest list will be developed.
- **CHDC's Interest list is defined as follows:** prospects who have inquired about the program, have met the minimum federal income level threshold 400% of federal poverty level and reside in the counties we serve. These are general eligibility questions we obtain upfront. Actual documentation to verify this information is obtained during the application process. The loan coordinator will obtain the prospects contact information and referral source. CHDC will then email the complete application with next steps instructions to the applicant to submit their full application. The list will be compiled on an Excel spreadsheet by date and utilized as a pipeline of clients to be contacted when grant funds are available.
- **Wait list is defined as follows:** Prospects that have submitted complete applications are considered active applicants and will be served on first come first served basis when funds are available. Applicants that submit incomplete application will be placed on waitlist however, their application will be processed when all documentation is received.