



TOWN OF TRUCKEE

Program Guidelines

Town of Truckee Below Market Rate (BMR) Program

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APPROVED BY: Truckee Town Council [add date]

Town of Truckee BMR Program Guidelines

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SECTION 1 – GENERAL

1.1 Background

The intent of the Town of Truckee’s Below Market Rate (BMR) Program is to increase the number of homes that are affordable to families and individuals that work in the Truckee-North Tahoe region. The BMR Program works by paying owners, buyers, sellers, including local businesses and developers, to place a deed restriction on homes that are currently unrestricted. The BMR Program’s goal is to create, preserve, grow, and protect a pool of long-term deed restricted units in the Town to maintain community character and create places for people that work in Truckee to live.

The information provided in this document describes guidelines for buyer households, property owners, businesses, and developers applying to the BMR Program, the Buyer Household applicant selection process, and Program details/rules for current BMR homeowners. For housing developers creating new below market rate units, deed restriction purchase agreements will be reviewed on a case-by-case basis. However, the following Program Guidelines offer a helpful overview of how the process and qualifications would work for new ownership units.

The Town will review and update these guidelines from time to time to reflect changes in the market and better meet the community’s needs.

Program Definitions:

Applicant/Buyer: The primary individual applying for the Program and all persons 18 years and older who will reside in the unit.

Area Median Income: The median income for Nevada County as defined by the California Department of Housing and Community Development (HCD) and adjusted for household size are published annually. The amounts are further adjusted and calculated by the Town and are available on the Town’s website.

Below Market Rate (BMR) Unit: A BMR unit in the Truckee Program is a housing unit that is priced to be affordable to households making no more than 245% AMI for existing units and 180% AMI for new homes.

Deed Restrictions: Affordable Housing Covenants, Resale Restrictions and Option to Purchase Agreement is the binding agreement signed by each Owner of a BMR unit. The Deed Restriction places permanent or long-term conditions based on agreed uses, including owner occupancy and income.

Fair Market Value: The value of a unit based upon the determination of an authorized appraisal report acceptable to the Town.

Local Business: A corporation, LLC or non-profit business that has a minimum of three (3) employees working at a physical office location, within the Tahoe Truckee Unified School District boundary.

Lottery: A lottery number will be assigned to each Buyer Household that submits an eligible pre-application. Lotteries will be conducted by the BMR Administrator, with Town staff as witnesses, to

randomly establish a ranking order in which households will be invited to submit full applications to the Program.

Moderate to Above Moderate-Income Levels: Per income levels set by Housing and Urban Development (HUD) annually, the definition of moderate to above moderate, for this Program is as follows:

- Moderate-income: Households that make no more than 120% of area median income for Nevada County.
- Above moderate-income: Households that make above 120% of area median income for Nevada County. For the purposes of this program, above moderate is defined as 120% to 245% AMI.

Program Administrator: The Town of Truckee will contract an independent organization to administer the day-to-day operation of the Program.

Program Application: The BMR Program application with required supporting documents submitted by Applicants to determine household eligibility.

1.2 Program Compensation Limits

The BMR Compensation Amount for buyers in exchange for a Deed Restriction will be reviewed on a case-by-case basis and evaluated based on such factors as location, access to services, home age, etc. The Compensation Amount will generally be taxable and the town will provide the payee with a 1099. The amount paid for each deed restriction, however, will not exceed the lesser of:

- 1) 16% of the value of a home, as determined by a Fair Market Value Appraisal; or
- 2) \$150,000.

1.3 Eligible Participants

1) Buyer Households

Households earning up to 245% of area median income (AMI) adjusted for household size intending to purchase and owner occupy a home in Truckee.

2) Existing Property Owners

The BMR program will provide an incentive for Truckee homeowners to participate by either offering to market the seller's property to the current approved Buyer Households or by expediting the seller's chosen buyer to qualify for and participate in the BMR Program. Interested Property Owners are required to contact the BMR Administrator to either market their home to existing conditionally approved buyers or to determine eligibility of their chosen buyer.

The Town will only provide compensation for a Deed Restriction at point of sale, at which time the Buyer will be execute the Deed Restriction with all other financing documents. AMI limits and occupancy requirements are not applicable to existing property owners.

3) Local Businesses

Local Truckee businesses will be allowed to participate in the BMR Program. The occupants of the home will be subject to rental restrictions outlined in Section 2.2 B in these guidelines. Any interested businesses should contact the BMR Administrator to initiate the participation process.

4) Builders and Property Developers

There will be a separate funding allocation for BMR Program funds to incentivize builders and property developers to Deed Restrict additional for-sale housing units in their projects. Income for Program participants under this scenario shall not exceed 180% of AMI and the subsidy amount per unit target is the lesser of 16% of the sales price or \$150,000. Additional compensation amounts will be considered in exchange for lower income targeting. Income limits and compensation amount terms will be negotiated on a case-by-case basis and will require Town Council approval. Funding will be provided upon a fully executed Affordable Housing Agreement and issuance of the Certificate of Occupancy.

1.4 Eligible Use of Funds

Non-arm's length transactions, with an identity of interest between the buyer and seller or other participating parties, with the exception of a landlord to a tenant, is prohibited. An example of a non-arm's length transaction is the purchase of a property owned by the applicant's friends or family members.

BMR Program funds may only be used on properties within the Town limits of Truckee.

BMR Program funds are not allowed to be used for the purchase of any properties with known code violations or open code violation cases.

1.5 Program Outreach and Marketing

The BMR Administer, in coordination with the Town staff, will create and implement a marketing plan that will provide broad awareness and equitable access to the Program. The Town will issue a press release. BMR Program information will be available upon request and available on the BMR Administrator's website and in hard copy at Town Hall and at the local library. All marketing, marketing materials and applications will include the Fair Housing logo and will be translated and available in Spanish. BMR Program marketing will be coordinated with the Town's PIO, local Realtor groups, local lenders and housing groups. Materials will be placed on the Town website and shared through Town social media channels.

1.6 Application Process Overview

Due to the anticipated demand for the BMR Program, the Town and BMR Administrator will implement an application process that will be fair, efficient, and respectful of aspiring homeowners, in English and Spanish. The application process moves the most time-consuming phase for applicants until after the lottery rankings are assigned. An online Pre-Application Form will be available on the BMR Administrator's website for applicants to be entered into the lottery, based on their stated information. Upon lottery completion, the BMR Administrator will invite the selected applicants to a mandatory workshop to learn about the BMR Program, key deadlines, Program requirements, referrals to BMR Program realtors and lenders, and how to submit a complete BMR Program Application.

Pre-applications will be accepted immediately after announcing the BMR opportunity in the marketing period. The period in which pre-applications will be accepted to be considered for the lottery will be a minimum of 30 calendar days. The application process is as follows:

- a) Eligible online pre-applications will be randomly sorted (drawn) through a lottery selection process. Each applicant will be given a number (ranking).
- b) Applicants will be notified in writing of the results of the selection process within one week of the selection process.
- c) In rank order, applicants will be invited to attend a workshop where they will receive information about the Program and how to submit a full application with supporting documents. The BMR Administrator will continue to hold workshops until a sufficient number of conditionally approved households have been identified.
- d) Upon approval from the Town, the BMR Administrator will issue conditional approval letters with an expiration date and loan maximum amount.
- e) Each conditionally approved household will have twelve months to shop for a home and enter into contract (an option for 90-day extension under certain circumstances).
- f) BMR Applicants must provide a fully ratified sales contract to the BMR Administrator within three business days of successfully entering contract to facilitate a timely close.
- g) The BMR Administrator will reserve funds for the transaction on a first come first serve basis, based on order of receipt of executed contracts.
- h) During escrow, The Town and the BMR Administrator will coordinate with the BMR applicants, realtors and loan officer and title company to collect the required documentation outlined in Section 3.1.F.

The BMR Administrator and the Town will re-market the program, open the pre-application form and perform subsequent lotteries to allow more households to apply, as needed. The Town and the BMR Administrator will draft the Deed Restriction and all other Program Documents. Prior to close of escrow the BMR Administrator will meet with the buyer for a one-on-one meeting to go over the Deed Restriction and Program Guidelines in detail.

1.7 Non-Discrimination Requirements

The Program will be implemented in ways consistent with the Town's commitment to non-discrimination. No person shall be excluded from participation in, denied the benefit of, or be subject to discrimination under any Program or activity funded in whole or in part with Town funds on the basis of age, ancestry, color, creed, physical or mental disability or handicap, marital or familial status, medical condition, national origin, race, religion, gender or sexual orientation or any other arbitrary cause.

SECTION 2 - PROGRAM REQUIREMENTS

2.1. Eligibility Qualifications for Applying to a BMR Unit

In order to apply for the Program, Applicants must meet specific minimum Program eligibility requirements, as follows:

- Annual gross household income, including the income of all household members 18 years of age and older, must not exceed 245% AMI;

- All owners and household members must occupy the participating housing unit as a primary residence, unless approved in advance by the Town and BMR Program Administrator as outlined in section 2.2 B;
- All household members must not be current homeowners within the Tahoe Truckee Unified School District boundary;
- Assets do not exceed the Program maximum; and
- Potential owners must be able to obtain primary mortgage financing. See section 2.1 F.

Local business are exempt from meeting the above qualification criteria, however the rental tenants of the deed restricted unit will be subject to the income limits, rental limits and lease terms outlined in section 2.2 B.

A. Income Limits

Applicant(s) must meet the 245% AMI income eligibility limits set by the Program in order to qualify. Annual Income Limits adjusted by household size are based on the California Department of Housing and Community Development (HCD) Area Median Income for Nevada County. Current Income Limits are available on the Program Administrator's website and on the Town of Truckee Housing page.

B. Asset Limits

Applicant(s) Liquid Assets must not exceed 30% of the sales price of the home the Applicant intends to purchase.

C. Determining Assets

Liquid Assets Inclusions: When calculating an Applicant's assets, all Liquid Assets are to be considered, including, but not limited to, the following: savings accounts, checking accounts, Certificates of Deposit, the total balance of any joint accounts, money market or mutual fund accounts, accounts held in trust for the Applicant (amount accessible), stocks or bonds, one-time lump sum gifts, cash on hand, amount used or borrowed (from a life insurance policy, IRA or retirement accounts) and other investments held by any occupant of the Applicant's household age 18 or older.

Liquid Assets Exclusions: The cash surrender value of life insurance policy, the value of an IRA account, the value of retirement accounts (including but not limited to 401K and 403B accounts), the value of annuities not being withdrawn, and the value of a special needs trust or the value of a 529 college savings may be excluded from an applicant's Liquid Assets.

Withdrawal of Retirement Accounts: Withdrawal of retirement account dollars towards down payment and closing costs is allowed. However, it is recommended that the Applicant consider all of his/her/their 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, if any. Any funds withdrawn from retirement accounts shall be counted towards the Liquid Assets Inclusions.

D. Definition of Household

Household Size Determination

The size of the household is determined by counting together every person who intends to live in the unit, regardless of age or dependency status. All spouses or registered domestic partners must be included in the household and must appear on the application.

In order to count household members who are under 18 years of age in the composition of the household, they must be the legal dependent of an adult household member or an adult household member must have at least partial (50%) custody of the child/children, except in the case of emancipated minors, as claimed on the most recent federal Income tax return.

Divorced or separated Applicants who have joint custody of their children should include the children in their household count if they have at least 50% custody of the children. Applicants who do not have custody should not include the children in their household count.

Temporarily absent household members who plan to live in the unit upon return must appear on the application for the unit and provide all supporting documents. Such household members include but are not limited to: household members serving temporarily in the armed forces, those who are temporarily institutionalized, or those who are enrolled full-time at a college or university.

E. Title and Loan Requirements:

All adult household members must appear as an owner or co-owner on the unit title at the time of purchase with the following exceptions:

- (1) Legal dependents of titleholders as claimed on the most recent federal income tax returns. Spouses or Domestic Partners are not considered dependents; and
- (2) Household members younger than age 24 who are the child of a titleholder who will reside in the housing unit as their primary residence, regardless of being named as a dependent on the federal tax form of a titleholder.

The requirement for all adult members to be listed on the title will be evaluated on a case-by-case basis.

All adult household members are not required to be added to the loan.

F. Mortgage Readiness

All applicants for BMR units must establish that they are likely to qualify for first mortgage financing. A pre-approval letter will not be required until after the lottery is held. Applicants must submit a Lender pre-approval letter stating a maximum loan amount as part of their supporting documents with their BMR Program Application.

G. Current Homeowner Status

Applicants are required to not currently own or be on title to any real estate, a principal

residence or otherwise, within the Tahoe Truckee Unified School District boundary.

2.2. Owners – Requirements of Owning a BMR Unit

BMR units are subject to certain requirements that must be followed by each BMR owner. The requirements are outlined in the “Affordable Housing Covenants, Resale Restrictions, and Option to Purchase Agreement” (Deed Restrictions), which is recorded against the unit and is in effect on the unit in perpetuity. The successful buyer must agree to be bound by all of the conditions and covenants contained in the recorded Deed Restrictions.

A. Owner Occupancy

All household members must occupy the purchased unit as their principal residence a minimum of 10 out of 12 months out of a calendar year until the unit is sold. In specific circumstances the Town may grant approval for the home to be rented in accordance with Section 2.2 B below. Short-Term Rental and Bed and Breakfast Inn rentals are prohibited. Owner’s will be required to submit an owner occupancy verification to the Town or the Town’s BMR Administrator on annual basis.

B. Renting and Leave of Absence

The Town and BMR Administrator will consider requests for a Leave of Absence from the BMR Program permitted under certain conditions. Leave of Absences are required to be no longer than 24 consecutive months. Qualified reasons for a Leave of Absence are limited to:

- Medical Emergency
- Care for Family Outside of the Area
- Temporary Job Relocation
- Temporary Relocation for School Attendance
- Financial hardship

During an approved Leave of Absence, the BMR Owner will be granted the option to long-term rent their BMR home but will not be eligible to participate in the Town’s Workforce Rental Grant Program. Proposed long-term rental tenants must meet the following criteria:

- Household income must not exceed 245% of AMI;
- Rent charged must not exceed 30% of household income;
- Lease period must be a minimum of 12 months; and
- All tenant household members must occupy the participating housing unit as a primary residence.

BMR Owners will be charged a leasing fee, as specified in the Town’s adopted fee schedule, to be paid to the Town of Truckee upon lease execution to cover the administrative costs associated of facilitating the rental of the BMR home.

Any proposed leave of absence, renting and tenants must be approved in advance by the Town and BMR Administrator. Any rental or lease of the BMR home in violation of this the requires set for this in the section is prohibited, and shall be considered a default by BMR Owner.

C. Title Transfer Restrictions

Title transfers are permitted under limited circumstances. Please refer to the BMR Administrator's FAQ and the BMR Deed Restriction for details.

D. Refinancing

The Deed Restrictions allow Owners to refinance the first mortgage loan, but places restrictions on the amount received from the refinancing. If an Owner chooses to refinance their first mortgage, they must contact the BMR Administrator for approval and subordination request. The Town Deed Restriction may under certain circumstances be subordinated to the refinancing of the existing first mortgage for a lower interest rate and/or better loan term, or to a restricted amount of cash-out.

Refinance Fee

Owners will be charged a refinance fee, as specified in the Town's adopted fee schedule, to be paid to the Town of Truckee upon closing in order to cover the costs associated with eligibility screening and preparation of subordination documents. This refinance fee can be financed and paid at closing. A copy of the check shall be sent to the BMR Administrator with the final closing documents. The check will be issued and sent directly to:

Town Of Truckee
Attn: Finance Department
10183 Truckee Airport Road
Truckee, CA 96161

Home Equity Line of Credit, Home Equity Loans, and Reverse Mortgages

Home Equity Lines of Credit (HELOC), Home Equity Loans, or Reverse Mortgages are not permitted. Owners who use such programs are in violation of their Deed Restrictions and will not be allowed to refinance their loan.

Cash Out Refinance Policy

The Town has approved a limited Cash Out Refinance Policy allowing homeowners to consolidate debt or receive cash at closing. This policy is subject to termination at any time. The new first loan amount will be restricted to the amount of the original purchase price.

In order to qualify for a cash out loan, owners must meet the following requirements:

- a. Current on HOA dues (if applicable)
- b. Current and in compliance with most recent owner occupancy monitoring
- c. Not in default on first mortgage and has no recorded Notice of Default (NOD) in the past 12 months
- d. Not otherwise in default under the Program requirements

SECTION 3 - BUYING OR RESELLING A BMR UNIT

3.1 Household Applicants – Buying a BMR Unit

A. Pre-Application

BMR Applicants must apply during the marketing/pre-application period to be considered for the lottery. All eligible applicants based on stated information will receive a lottery number. Submissions will not be accepted after the pre-application deadline, however interested parties will be added to the BMR Program waitlist to be included in the next lottery.

B. Lottery and Program Workshop

The BMR Administrator will hold a randomized lottery with all applications, establishing a ranking order for application review. Households will be invited in lottery ranking order to attend a mandatory BMR application workshop. Immediately following workshop attendance, households will be invited to submit a full BMR Application with all required supporting documents.

C. BMR Application and Supporting Documents

BMR Applicants must submit a complete BMR Application Package, including a BMR Program Application, supporting documentation and a Lender Pre-Approval letter stating the approved purchase price. The BMR Application and supporting document list will be available on the BMR Administrator's website for those that are invited to apply and have attended the required workshop.

All members of the applicant's household that are 18 years or older must supply supporting documents. Applicants must ensure the completeness and accuracy of their application before submission. Applications with known false, misleading or inaccurate information will be disqualified from consideration. Changes to applicant household members after submission are not allowed.

Lender Pre-Approval

A lender pre-approval letter will be required as part of the BMR Application Package after the lottery is held. The lender pre-approval letter must state a maximum loan amount as part of their supporting documents with their application. A list of lenders who are able to lend on the BMR units is provided on the Program Administrator's website. Applicants can work with any lender that has reviewed the BMR Program documents and confirmed in writing with the BMR Administrator that they are able to lend on the BMR Program.

D. Application Review

Incomplete Applications will not be considered. Applicants will have up to two opportunities to supply additional missing or clarifying documents at the discretion of the Program Administrator. If the application is still missing information or documentation after two attempts it will result in Program disqualification.

E. Conditional Approval

Once an eligible buyer has been identified, a Conditional Approval letter will be sent to the Applicant with a deadline of 1 year to enter into a purchase and sale agreement. Funds will be available on a first come first serve basis.

An additional 90-day extension to the Conditional Approval letter expiration may be granted by the Town in the event of hardship. The Applicant will be required to demonstrate hardship and evidence of actively making offers on homes.

Realtor Representation

Applicants must identify a Realtor to represent them in the homebuying process. A list of local Realtors familiar with the Program is provided on the Program Administrator's website. Applicants may work with a Realtor not listed. Offer Packages must include a residential purchase agreement and Close of Escrow cannot be sooner than 30 days. Applicant's Realtor must submit a complete Offer Package on behalf of the applicant to the Listing Agent via email by 5pm on the offer due date.

F. Escrow

Sales Contract

The Applicant has three (3) calendar days from the date they enter into a purchase contract with the seller of a home to submit the fully ratified contract to the BMR Administrator. The purchase contract must include at least a 30-day close of escrow period. The Applicant or their agent will send a copy of fully executed, ratified purchase contract to the Program Administrator. Lender and Realtor are responsible for keeping Applicant/Buyer informed of key timelines.

Fair Market Value Appraisal

The Listing Agent shall ensure the ordering of the fair market value appraisal within five (5) days of Seller acceptance of offer. The BMR Administrator will review the appraisal to ensure the appraisal is appropriately performed by a qualified appraiser and that no BMR units are used as comparisons. The Seller is responsible for paying for the fair market value appraisal.

Code Violations

The BMR Applicant will be responsible for submitting an affidavit certifying that there are no known code violations on the property to their knowledge. The Town will confirm that the property is eligible by having no known code violations or open code violation cases.

Submission of First Loan Package

Financing requirements are listed in Section 4.1. Lender must submit the following documents of the First Loan Package to the BMR Administrator for review ten (10) business days prior to close of escrow:

- First Residential Mortgage Loan Application- Form 1003
- Underwriting Transmittal Summary- Form 1008

- Loan Estimate
- Fair Market Value Appraisal
- Preliminary Title Report
- Confirmation of receipt of general and pest inspections of property dated within 90 days
- Confirmation of Buyers' names and vesting

Lender or Title must submit the following documents of the first loan package to the BMR Administrator within three (3) business days of Applicant closing escrow:

- Closing Disclosure
- Estimated Settlement Statement
- Shipping Label for Title Company

G. Final Approval

Pre-Closing Call/Meeting with Buyer

Once eligibility is determined at or before the close of escrow, the BMR Administrator will conduct a pre-closing phone appointment to discuss the details of the Program and answer questions about the Program requirements and the BMR documents to be signed.

3.2 Owners – Reselling a BMR Unit

BMR Owners may only sell their Unit to a BMR Program qualified buyer, as outlined in Section 2. The following table describes the major steps and approximate processing times BMR Owners can expect for most resales. All processing times listed are estimates and no specific timeline is guaranteed.

Resale Processing Timeline	
Steps	Time Estimate
Notice of Intent to Sell Packet Submittal	5 days
Visual Inspection and Preparation of Unit for Sale	10 days
Marketing	TBD
Application Review - Issuance of Conditional Approval	10 days
Sales Contract Ratification (30 day closing)	5 days
First Loan Approval - Lender Package Submittal	15 days
Final Review - Issuance of Final Approval & Program Documents	10 days
Closing	3 days
Total Calendar Days	~ 70 days

A. Notice of Intent to Sell

Once an Owner has decided to sell their unit, the owner must contact the BMR Administrator and submit a Notice of Intent to Sell. The BMR Administrator will provide the Owner with a formal response.

B. Approval

The BMR Administrator will coordinate with the buyer to complete a BMR Program Application with updated supporting documents to determine Program eligibility. Upon approval the BMR Administrator will issue an approval letter to the applicant and seller.

C. Escrow

The BMR Administrator will coordinate with the buyer, realtor, lender and title company to complete all Escrow steps outlined in Section 3.1.F.

D. Resale Fee

There will be a resale fee equal to 1% of sales price (as stipulated in the recorded Affordable Housing Covenants) paid by the Seller on all BMR units to the Town of Truckee.

SECTION 4 - FINANCING REQUIREMENTS

4.1 First Loan Requirements

Applicants who apply for a BMR unit must be able to qualify for a first mortgage from a Lender. Applicants must have sufficient funds to meet the required down payment to close the purchase transaction.

A. First Mortgage Loan Term

The first mortgage loan must be a 30-year fixed rate, fully documented, conventional mortgage. The mortgage payment must be fully amortizing. Loans must be originated from mortgage-lending institutions that are willing to originate loans on homes with the BMR Program Deed Restrictions.

Loan Types Not Allowed

Prohibited loan types include stated income, adjustable rate, interest-only, negative amortizing, private loans and loans with balloon payments. The Program reserves the right to identify additionally prohibited loan Programs and/or characteristics. There are no impound requirements for the Program.

B. Co-Signing

Applicant(s) may not use a cosigner or guarantor when qualifying for the first mortgage. All loan signers must be household members who are included on the Application and total household income of all loan signers shall be included as part of the Applicant's total income when determining the Applicant's income eligibility level.