5.6 FIRST TIME HOME BUYER ASSISTANCE PROGRAM POLICY

SUBJECT: First Time Homebuyers Assistance Policy

EFFECTIVE DATE: November 14, 2011

Amended Date: May 19, 2009
Amended Date: February 3, 2010
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Amended Date: November 14, 2011

PURPOSE OF POLICIES AND PROCEDURES: To document program policy guidelines and procedures used by the Affordable Housing Services (AHS) staff in the fulfillment of first time homebuyer activities offered by Hillsborough County (County)..

A. GENERAL PROGRAM POLICIES:

1. Objectives/Goals of Assistance:

The First Time Home Buyers (FTHB) Assistance Program provides very low, low and moderate income homebuyers in unincorporated Hillsborough County, Temple Terrace and Plant City with deferred payment loans for down payment and closing costs assistance, hereinafter referred to as "DPA". First mortgage financing is available for eligible homebuyers through local private lending institutions.

2. Funding Sources:

The County began the FTHB Assistance Program in 1992. Funding became available when the State of Florida authorized the State Housing Initiatives Partnership (SHIP) program through the William E. Sadowski Act, giving local communities a dedicated funding source for affordable housing to homebuyer households earning up to 120% Area Median Income (AMI). Funding is also provided through the Federal HOME Investment Partnerships (HOME) program, the Community Development Block Grant (CDBG) program and the Neighborhood Stabilization Program (NSP). HOME funding is restricted to households earning 80% or below the AMI; NSP and SHIP funding is restricted to households earning 120% or below the AMI.

- Community Development Block Grant (CDBG) – 24 CFR Part 570
- HOME Investment Partnership (HOME) – 24 CFR Part 92
- State Housing Initiatives Partnership (SHIP) – Sections 420.9071 - 420.9079 F.S., Chapter 67-37 F.A.C.
- Neighborhood Stabilization Program (NSP 1) – 73 FR 58330 and (NSP 3) – 75 FR 64322
- Private Financing (i.e., Lenders, Mortgage Brokers)

3. *Allocation of SHIP funds:*

   The SHIP statutes require that 30% of all funds received by the County annually be spent on families earning 50% and below the AMI (Very Low-Income), and another 30% of the funds must be expended for families earning 50.01 through 80.00% of AMI (Low-Income). Further, the SHIP statutes state that 65% of all funds that a local government receives annually must be expended on activities that result in homeownership and 75% of the funds must be expended on activities that involve either new construction or some form of eligible rehabilitation as per Section 420.9075, F.S.

4. *Priority of Assistance:*

   Assistance will be on first-come, first-served, first eligible basis while funds remain available. When the amount of funds available for assistance falls below $200,000, the Director of the Affordable Housing Services Department may give priority to very-low and low income homebuyer households and limit the amount of assistance provided to higher income homebuyer households. Assistance provided to homebuyer households will be based on the maximum amount allowable by program guidelines.

5. *Waiting List:*

   a. Should funds not be available or the number of homebuyer households exceed the program's service capacity, two "Waiting Lists" will be utilized – one for New Construction Assistance and the other for Single-Family/Mobile Home Assistance. The Single-Family/Mobile Home Assistance Waiting List will have priority over the New Construction Assistance Waiting List if these conditions are present.

   b. Homebuyer households who are initially notified they are ineligible for the program but subsequently address all issue(s) need to qualify for the program within a one month time frame, (starting on the day the application was received by the AHS, shall not lose their place on the Waiting List.

6. *Homebuyer Household Responsibility:*

   Homebuyer households are responsible for working in good faith and in a responsible, truthful, and timely manner with the AHS. Reasonable deadlines shall be established at each step of the process for the submission of information from the homebuyer. After two written notifications, any refusal or failure to provide information, or any established pattern of untimely submittal of information from the homebuyer, shall result in closure of the case file.

7. *Ineligible Activities:*

First Time Homebuyer households shall not receive DPA from the County for the purpose of paying for luxury improvements or upgrades such as swimming pools, stainless steel appliances, granite countertops, upgraded cabinetry or flooring or any other items that are beyond meeting minimum building code requirements in the case of new construction or remodeling conducted as a condition of sale. However, with respect to a new construction home, if upgrades are provided as incentives to a first time home buyer to purchase a newly constructed home and the upgrades are provided free of charge with no increase to the base price of that home, then FTHB assistance will be an eligible activity.

8. *Other Federal Requirements:*

With respect to Federal funds, the County will comply with all applicable "Other Federal Requirements" to include but not be limited to Fair Housing and Equal Opportunity, Equal Opportunity Employment, Section 3 Economic Opportunity, Minority/Women Employment, Conflict of Interest, Debarred Contractors, Environmental Reviews, Flood Insurance, Lead-Based Paint, and Relocation.

B. SPECIFIC REQUIREMENTS FOR APPLICANT, PROPERTY AND FINANCING:

1. *Applicant Requirements:*

a. Prospective homebuyer must not have owned a home in the past three (3) years. If a homebuyer is using NSP funds for DPA, they cannot own any property at the time of application.

b. The FTHB funding is available to homebuyer households earning 120% and below the AMI for unincorporated Hillsborough County including the Cities of Temple Terrace and Plant City. The basis for ranking cases for funding is first-come, first-served, based on income level.

c. Homebuyer must first be eligible for a Federal Housing Administration (FHA), Veterans Administration (VA) or Conventional first mortgage loan from a private lending institution with a fixed interest rate no higher than one (1) point above the "Fannie Mae 60-Day Rate." **The County provides DPA to fund the gap between what the homebuyer can contribute for a down payment and what the lender will lend. The fixed interest rate will be established when the lender provides the eligible homebuyer with a "locked-in fixed interest-rate" for their proposed first mortgage loan on a "dated final loan commitment document."** The County will compare the homebuyer's locked-in fixed interest rate to the Fannie May 60-Day Rate published for the same day to determine if the locked-in rate is within the 1 point range and be acceptable to the AHS for approving DPA funds for that first mortgage.

d. All prospective homebuyers must complete a required 8 hour Homebuyers Education program and receive a *"Completion Certificate"* as outlined in the County's "Homebuyer Education Policy, as amended.

e. All First Time Homebuyers must read and sign the County's *"Loan Subordination Policy Form"* indicating that they have read and understand the County's *"Loan Subordination Policy."*

2. *Qualifying Income and Assets:*

a. All members of the homebuyer's household must be included in the income calculation, not just the person(s) whose name(s) appear on the loan documents. Minors under the age of 18, do not have their incomes from employment included in the income calculation. Adult students living away from home (over the age of 18) are counted as members of the household in calculating the household's total gross annual income amount used for household eligibility determination. If the student is full-time (12 hours or more per semester), income to be counted is capped at $480 annually. If the student is part-time (less than 12 hours per semester), all of the student's income must be counted. If the head of household is a student, the full amount of his/her income must be counted. If a family member is permanently absent from the household (e.g., a spouse who is in a nursing home), the head of household has the choice of either counting that person as a member of the household and including income attributable to that person as household income or specifying that the person is no longer a member of the household.

b. Annual Income is defined as the gross amount of income for all adult homebuyer household members (excluding employment of minors under the age of 18) that is anticipated to be received during the upcoming 12 month period. Income information must be provided by the homebuyer for each adult member in their household. The information must be verified and must be included in the County's files to document for each homebuyer household's income eligibility.

The lender shall calculate and verify homebuyer's (only the individuals signing the first and second mortgage documents) gross annual anticipated income using the format described in the *"SHIP Program Manual,"* as amended, which follows *"HUD Handbook 4350.3."* Lenders or non-profits, should assume that today's circumstances will continue for the next 12 months, unless there is verifiable evidence to the contrary. The exception to this rule is when documentation is provided that current circumstances are about to change. The County will calculate and verify the gross anticipated income of the remaining household members and check and approve the income calculations and verifications performed by the lender on the homebuyers who will sign the mortgage documents and, if the gross annual household income amount is below the income limits for the number of individuals in that household, certify the household to be income eligible.

c. The County requires third party verification of income and assets as mandated by the U.S. Department of Housing and Urban Development and the Florida Housing Finance Corporation. Deviations are not allowed. Using stated income is not allowed. Every income and asset source for every adult 18 years or older living in the household must be verified by a third party source. First, however, income and assets need to be identified. All of the third party verifications received must not be dated more than 120 days from the beginning of the verification process. Verifications are only good for 120 days. Once the County issues an *"Eligibility Award Letter"* it stops the clock on the timing of the verification process.

d. Homebuyers cannot have liquid assets exceeding $20,000 except for amounts invested in financial instruments exclusively designated as a retirement account such as an IRA or 401K.

e. Types of Income to Count:

e-1. All wages and salaries, overtime pay, commissions, fees, tips, bonuses, and other compensation for personal services (before any payroll deductions).

e-2. Net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness cannot be used as deductions in determining net income; however, an allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession is included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family, and the last two years of the business tax form.

e-3. Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness cannot be used as a deduction in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (e-2) of this section. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of $5,000, annual income includes the greater of the actual income derived from net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD (currently, that is 2%).

e-4. All gross periodic payments received from Social Security, SSI, welfare, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum payment for the delayed start of a periodic payment (except Social Security).

e-5. Payments in lieu of earnings, such as unemployment, worker's compensation and severance pay (but see paragraph (f-2) under Income Exclusions).

e-6. Periodic and determined allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling. Alimony and child support amounts awarded as part of a divorce or separation agreement are included as income unless the homebuyer (1) certifies that the income is not being provided, and (2) takes all reasonable legal actions to collect amounts due such as filing with the Child Support Enforcement Office, State of Florida, Department of Revenue.

e-7. All regular pay, special pay, and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is head of the family, spouse, or other person whose dependents are residing in the unit (see paragraph e-6 under Income Inclusions).

f. Types of Income to be Excluded:

f-1. Employment income of minors, including foster children (age 17 and under) is not included. However, unearned income attributable to a minor (e.g., child support, AFDC payments, and other benefits paid on behalf of a minor) must be included.

f-2. Lump-sum additions to family assets such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses (see paragraph e-5. of Inclusions). **Excessive irregular deposits will be counted as income and be projected forward.** Homebuyer's household will be required to provide receipts or other forms of evidence to substantiate unexplained deposits that may total up to over $1,000. If no receipts or other forms of evidence are provided to substantiate unexplained deposits, then the unexplained deposits will be treated as income when determining the homebuyer's household eligibility for assistance.

f-3. If a household includes a paid live-in aide (whether paid by the family or a social service program), the income of the live-in aid, regardless of its source, is not counted. A related person can never be considered a live-in aid;

f-4. Foster children are not counted as family members when determining family size to compare with the Income Limits. Thus, the income a household receives for the care of foster children is not included.

f-5. In general terms, an asset is a cash or non-cash item that can be converted to cash. (Note: It is income earned - e.g. interest on a savings account-not the asset value that is counted in Annual Income). As with other types of income, the income included in Annual Income is the income that is anticipated to be received from the asset during the coming 12 months.

f-6. For most assets, calculating income from the assets is straight forward. Special rules have, however, been established to address situations in which the asset produces little or no income. This rule assumes that a household with assets has increased payment ability, even if its assets do not currently produce income. (For example, a household that owns land that is not rented or otherwise used to produce income). Rather than require the household to dispose of the property, the rule requires that the "imputed" income be calculated based on a Passbook Rate that is established periodically by HUD which is currently 2%).

3. *Credit:*

a. Sufficient income and good credit are essential in order for an homebuyer to qualify for a mortgage loan.

b. Homebuyers who have had a recent bankruptcy or currently have substantial debt and/or poor credit history, may be denied a DPA loan. If this occurs, homebuyers are encouraged to attend financial counseling. Borrower(s) must be at least two (2) years past the Discharge Date of any bankruptcy.

c. Homebuyers cannot have any outstanding judgments or liens.

4. *Property Eligibility*

a. The following types of housing units are eligible for the FTHB Program:

- Single-Family Residences
- Condominium units
- Townhouses
- Villas & Zero-Lot Line
- Modular & Manufactured homes (bearing a Florida Department of Community Affairs DCA approved insignia and meeting all requirements of Chapter 553, Florida Statutes) Owner-occupied

b. All property to be purchased by potential homebuyers must meet the County's Property Maintenance (PMC) and Section 8 Housing Quality Standards (HQS). All homes must be inspected by an AHS inspector at no charge.

c. Must be located within the unincorporated boundaries of Hillsborough County or within the municipal boundaries of the cities of Temple Terrace or Plant City.

d. All prospective properties to be purchased must be vacant or occupied by the owner. No tenant can occupy the property at the time the contract is signed. The County cannot provide DPA to eligible homebuyers to purchase properties that are currently occupied by tenants who may be displaced/required to vacate the property so that the sale can be finalized.

e. If the home was built prior to 1978 has evidence of peeling, chipping or chalking paint on surfaces exceeding two (2) square feet or more than 10% of a component, and is to be assisted with HOME, NSP or CDBG funds, it will need to be tested for lead-based paint. If lead based paint is found to be present, Lead Based Paint Notices must be provided to the purchaser and the "Disclosure of information on Lead-Based Paint and/or Lead Based Paint Hazards" must be signed by both the buyer and seller. Next, the severity of the lead based paint must be determined and what protocols are needed to address the lead implemented. The Visual Assessment Course Certificate must be submitted with the (Form 52580-A) when there is evidence of deteriorating paint surfaces. The County will pay for any required lead-based paint inspections. The seller will be responsible for bringing the unit into compliance with lead based paint hazards when they have been determined to exist before any assistance can be provided to a first time homebuyer household.

f. All homes will require an Environmental Review by AHS, when applicable.

g. All homeowners with homes located in a designated flood zone must obtain and maintain a flood insurance policy for the term of the loan, when applicable.

5. *Property Inspections / Warranty Packages*

a. All homes that are being purchased in conjunction with receiving FTHB assistance must be inspected by AHS inspectors to be sure that they meet HQS and the County's PMC. The AHS Inspector will complete the HUD Section 8 Inspection Checklist (Form # : HUD-52580-A). This inspection is solely for AHS to meet the program requirements of the FTHB program; it is not an inspection for the buyer or lender. Homebuyers, at their own expense and in conjunction with the lender, are encouraged to utilize a home inspection service as a condition of the sale of the property. **The use of this inspection is only for AHS's program administration.**

b. New construction homes must have received a Certificate of Occupancy (CO) before the County can provide DPA funds.

c. New home contractor must provide a Warranty Package (with warranty length periods clearly defined and identified) to borrowers at or before closing. Contractors are responsible to warrant their work for one year from loan closing; time periods for manufactured materials are based on warranties provided.

6. *Period of Affordability:*

a. The length of time the homeowner must live in their dwelling to fulfill the affordability requirements will vary in length and shall correspond to the amount of assistance received. The time lengths required are as follows:

Assistance Received:	Affordability Periods:
<$15,000	5 years
$15,000 up to $40,000	10 years
>$40,000	15 years
New Construction	20 years

7. *Recapture Option and Loan Forgiveness Terms:*

a. If the property is sold and **insufficient equity exists from the sale** of the property to satisfy the loan, **the County will be limited to only recapturing that which is available from net proceeds regardless of the funding sources used in the provision of first time home buyer assistance. The sale includes a judicial sale and will also apply to deed in lieus to a superior mortgagee. The provision in this policy limiting the County to only recapturing that which is available from net proceeds is retroactively applicable to all open first time home buyer loans made prior to the effective date of this policy that have no changes in ownership and all first time home buyer loans made after the effective date of this policy. If a first time home buyer loan was modified to include delinquent property tax payments, delinquent mortgage payments, or any other payment made by the County on the behalf of the homeowner to protect the County's investment made in that homeowner's property to avoid a tax foreclosure sale or other foreclosure then, the provision limiting the County to only recapturing that which is available from net proceeds is not applicable to that amount added. Furthermore, beginning with the effective date of this policy, the County will forgive an equal portion of the first time home buyer loan each full year the homeowner maintains their residence during the period of affordability.** The portion of the loan forgiven shall correspond to the length of time the homeowner occupies the home after the loan is made in relation to the period of affordability (that is, if the affordability period for the loan is 5 years, for every full year the homeowner lives in the home, 1/5th or 20% of the loan is forgiven; accordingly, if the affordability period for the loan is 10 years, for every full year the homeowner lives in the home, 1/10th or 10% of the loan is forgiven; if the affordability period for the loan is 15 years, for every year the homeowner lives in the home, 1/15th or 6.67% of the loan is forgiven); and finally, if the affordability period for the loan is 20 years, for every full year the homeowner lives in the home, 1/20th or 5% of the loan is forgiven. **The provision in this policy to forgive portions of the first time home buyer loan over the period of affordability is applicable to all loans made on and after the effective day of this policy and is not applicable to any loans made prior to the effective date of this policy. The amount subject to recapture will be limited to**

what is available from net proceeds. Loan forgiveness will apply under both conditions, that is, when there are sufficient funds and when there are not sufficient funds remaining under the period of affordability to be recaptured. The distribution of net proceeds will first be applied to pay off the first position mortgage; then applied to pay off the homebuyer's initial investment costs and any improvements costs to the property; then the County's second mortgage for DPA assistance provided; and finally, provide the homeowner with any equity he/she has appreciated/earned in the property. The County will not share in any excess proceeds.

b. If the property is sold and **sufficient equity exists from the sale** of the property to satisfy the loan, the **County will use the recapture option and loan forgiveness terms described above and will not share in any excess proceeds** (that is, excess proceeds will be paid to the homeowner). The amount subject to recapture will be limited to what is available from net proceeds.

c. The recaptured funds may be used for any HOME eligible activity without the requirement of matching funds. Regarding recaptured SHIP, CDBG and NSP funds, they may be used for any eligible activity respective to their original source of funding.

8. *Maximum Subsidy Limit for DPA Homebuyer Assistance Projects:*

a. The maximum subsidy limit for assistance provided to an eligible homebuyer to purchase a housing unit must be below HUD Section 221(d)(3) limits established for the HOME program for the County.

b. In determining the amount of the DPA loan, the lender or non-profit must determine the homebuyer's maximum down payment amount that the homebuyer can comfortably put towards a down payment (at least the minimum required), and the maximum amount that the lender will lend. The amount of the DPA loan is strictly based upon need.

c. DPA is provided to eligible First Time Home Buyers (FTHB) is based on need and the maximum amount loaned may not exceed $40,000 for very low income; not exceed $35,000 for low income; and not exceed $25,000 for moderate income families using HOME or SHIP funds.

d. If a housing project involves multiple sources of funding to acquire, rehabilitate and provide **Homebuyer Assistance** to a homebuyer to purchase a home then, the maximum amount of Homebuyer Assistance that can be provided to that homebuyer is $65,000. Furthermore, if the Homebuyer Assistance provided in a multiple source project was initially funded with NSP funds, secured with a NSP mortgage and note and subsequently modified to be funded by another funding source then, **all the terms and provisions stated in that initial NSP mortgage and promissory note will remain the same and be reflected in the modified multiple source mortgage**

and promissory note including the provisions for loan forgiveness and equity sharing in order to maintain the original loan terms and remain in compliance with the NSP Management Plan.

e. If NSP funds are used alone as **Homebuyer Assistance** to purchase a home, the maximum amount loan may not exceed $65,000 or 50% of the sales price of the home, whichever is less. Households receiving NSP Homebuyer Assistance do not have to be first time homebuyers, however they must occupy the property as a principal place of residency.

9. *Additional DPA for Certain Professionals*

- An additional $5,000 in DPA funds may be awarded to a state certified teacher, state certified nurse, state certified firefighter, or a state certified law enforcement officer, if that homebuyer household needs it. All members of the household must be included in the income calculation, not just the household member(s) who will sign the mortgage documents.

10. *Specific Underwriting Criteria for DPA Loans (Lender / Non-Profit Requirements):*

a. Each lending institution or non-profit organization participating in the First Time Homebuyer DPA Program will be limited to submitting no more than 3 applications per day during each reservation/commitment cycle. Date-and-time stamping of homebuyer packages shall be utilized by the AHS to establish priority of available assistance funding.

b. Each lending institution or non-profit organization must ensure that homebuyer homebuyers meet the following underwriting requirements:

b-1. **Principal, Interest Taxes and Insurance (PITI) cannot be less than 23%** of the homebuyer's gross monthly household income. If it is less than 23%, then the amount of DPA will be reduced to an amount whereby the PITI is equal to or exceeds 23%. This minimum percentage will be maintained by the lender or non-profit organization that is working with the homebuyer applicant. Should NSP funding be used as the DPA assistance provided to the eligible homebuyer applicant, a maximum of $8,000 in buyer paid closing costs and pre-paids can be charged to this grant.

b-2. Homebuyer applicants are required to obtain a first mortgage with a **maximum housing expense or front-end ratio not to exceed thirty-three percent (33%) and total debt or back-end ratio not to exceed forty-five percent (45%).** Desk-top underwriting calculations beyond these ratios shall not be considered.

b-3. The lender shall assure that **the Combined Loan-to-Value (CLTV) ratio for DPA does not exceed 105% of the home's appraised value.** If the homebuyer applicant receives the additional subsidy, due to being a state certified teacher, state certified nurse, certified firefighter, or a state certified law enforcement officer and/or, if the home is in one of the County's CDBG Targeted Areas (as described above in the "Additional DPA for Certain Professionals Section"), the additional amount of DPA shall be included in the DPA loan.

b-4. **The County will not provide assistance when more than 2% of the sales price is being charged to the homebuyer applicant in combined lender fees for such things as, loan discounts, origination fees, and for interest rate buy-downs (only the buy-down amount necessary to qualify a borrower). Homebuyer applicants are only allowed to pay maximum of one-half of a percent (1/2%) of the sales price on any lender fees "Paid Outside of Closing" (POC). Yield spread premiums and similar fees are not allowed.**

b-5. **All closing costs fees must be reasonable as per industry standards. Fees that are excessive will not be allowed. Excessive fees are those which are above the industry standard for a first mortgage financing.**

b-6. If the homebuyer applicant is building on land they own, the equity in the land can be used as the minimum investment. Builder or seller contributions are eligible to be used towards down payment.

c. Homebuyer applicants must contribute some of their own funds into the purchase of the home. The amount they are required to put down is based on the following:

- 0 – 50% AMI - $500 minimum to include prepaids
- 51 – 80% AMI – $1,000 minimum to include prepaids
- 81 – 120% AMI – 2% of purchase price, or a maximum of $2,000, to include prepaids

This amount can be cash from the homebuyer applicant or a gift from a family member. The County may waive the minimum homebuyer applicant's contribution for certain types of mortgages, such as those provided through the Veterans Administration.

d. Homebuyer applicants qualifying and participating in the USDA Sweat Equity Program utilize their completion of the program as the *"Borrower's Cash Contribution."*

e. **Homebuyer applicants should make any real estate contract they enter into "contingent upon obtaining DPA funds."** This will protect the homebuyer in the event that they are not approved for County DPA funds, or if the County funds are not available.

f. **DPA shall not exceed 50% of the purchase price of the home.**

g. **DPA shall not be provided for cases in which the selling price is greater than the appraised value of the house.**

h. With written authorization from the County, First Time Homebuyers will be allowed to change authorized lenders if the originally authorized lender cannot provide the loan through no fault of their own.

11. Maximum Sales/Purchase Price and Maximum Property Value:

In the case of acquisition only, the value of any homebuyer/homeowner-occupied property may not exceed 95% of the median purchase price for that type of single-family housing for Hillsborough County as published by HUD each year. If rehabilitation is required, the value of the property **after** rehabilitation may not exceed 95% of the area median purchase price for that type of housing. The after–rehabilitation value estimate should be completed prior to investment of HOME funds. Acceptable methods for determining the after-rehabilitation value for a HOME-assisted property include:

a. An appraisal performed by a licensed fee appraiser or a staff appraiser of Hillsborough County; or

b. A tax assessment of a comparable, standard property, if current and computed for 100% of the after-rehabilitation value.

12. Loans Terms:

a. **The County's DPA funds are provided at 0% interest rate and are typically deferred payment loans to homeowners for a term not to exceed 20 years.**

b. **DPA funding will only cover down payment and closing costs.**

c. The County will allow the first mortgage that is provided by the lender to have a term of forty (40) years as long as the interest rate is a fixed. Borrowers shall assure that their loan is a fixed rate mortgage. Borrowers must be able to obtain a first mortgage that conforms to the underwriting criteria in these policies. **Adjustable Rate Mortgages (ARMs), interest only loans and balloon payment type loans are not permitted.**

d. All homes assisted must be Homestead Properties. All household members listed on the County's mortgage document(s) must be residents.

e. There shall be no prepayment penalty on any County DPA loan. Borrowers may pay off all or any portion of the outstanding principal balance at anytime.

f. If the homebuyer converts the home to a rental unit, transfers title, vacates the home, or if the home is refinanced for cash out or a home improvement loan is acquired, then the DPA loan amount must be repaid in full in accordance with the recapture provisions should there be time remaining on the period of affordability for the DPA assistance and other assistance provided to the homebuyer. In the event of the homebuyer's death, terms of the Mortgage and Note may be assigned or transferred only to an income eligible heir(s) of the property. If the heir(s) does not reside in the property, the loan would be considered in default. If the loan was originally funded with HOME or HOME match funds, the loan must be repaid in accordance with the *"recapture option and loan forgiveness section"* described in these policies. If the heirs sell, rent, refinance, or transfer title to the property, they will be required to pay-off any outstanding balance at the time of sale. All property must be the principal residence of the heir(s). At the option of the County, the loan may be renegotiated.

13. Conditions for Default of Loan:

a. Where federal HOME funds are to be used, or when HOME and SHIP funds are used together for DPA, the following requirements must be met or the loan will be declared to be in default with the terms for the loan:

- The DPA loan will be declared to be in default and must be repaid if homeowner rents out, refinances, sells, or transfers the title of the house prior to the termination of the affordability requirement and/or if the home is no longer the primary/principal residence and time remains on the period of affordability that was established when the loan was made.
- Should there be only one homeowner who was provided assistance in the form of a loan and that homeowner becomes deceased, the loan will be declared to be in default and must be repaid if no income eligible heir takes possession of the home as their primary place of residency and time remains on the period of affordability established when the loan was made.

C. PROCEDURES FOR HOMEBUYER APPLICANTS, LENDERS AND NON-PROFITS:

1. Homebuyer applicants shall follow the following steps for receiving FTHB assistance:

a. Meet criteria for the First Time Homebuyer Program

b. Enroll and complete a Homebuyer Education Course and obtain a *Completion Certificate*

c. Pre-qualify with any lender under the FTHB Guidelines

d. Assure that lender or non-profit submits *a "Request for Loan Commitment Form," "Household Income and Asset Certification Form," "Third Party Verification of Employment Form," "Third Party Verification of Asset Income Form," "Borrower's Authorization to Release Information Form,"* and *"Income Documents (current paystubs, Social Security Award Letter, Child Support Court Order, etc.)"* to the County to reserve DPA funds.

e. The County will issue a *"Preliminary Eligibility Award Letter"* (i.e., "Loan Commitment") to the lender or non-profit, with the amount of DPA funds needed to fund the gap between what the eligible homebuyer can put towards a down payment and what the lender will lend up to the limits established within these policies with respect to the eligible homebuyer's household income, source of funding for DPA funds provided, Section 221(d)(3) maximum subsidy limits, and whether that borrower is a state certified teacher, nurse, fire fighter or law enforcement officer.

f. Homebuyer enters into Purchase Contract for home.

g. Assure that the County has a Housing Inspection, if resale (see B. 5. Property Inspections on page 8).

h. Assure that a complete Loan Package is submitted to the County for assistance; amount of assistance is based on policies established in this document, program regulations and funds availability. (File is also reviewed for proper documentation and eligibility).

i. County issues an "Eligibility Award" letter.

j. Loan goes to closing.

2. Lenders/Non-Profits shall follow these steps for reserving FTHB assistance for clients:

a. First, obtain a *"Preliminary Eligibility Award Letter"* to reserve the funds. The County will specify at the beginning of the commitment period the amount of funding available and for what income categories. A representative of the lender or non-profit delivers the following forms-in person and completed to the County:

- *"Request for Loan Commitment From"*
- *"Household Income and Asset Certification From"*
- *"Third Party Verification(s) of Employment"*
- *"Third Party Verification(s) of Assets Income"*

Eligible homebuyers' packages date-and time-stamped by the AHS containing the information above comprises the order in which their packages will be considered. Eligible packages will be processed until all funds for a particular funding cycle are depleted. Limits on submittals and ranking by first-come first-served are intended to establish equity in funds distribution to meet the high demand on this program.

If the documentation/forms submitted are missing any information and/or are incomplete, the Lender/Non-Profit will have five (5) business days from the date the County informs them of the missing/incomplete information to provide the documentation to the County. Failure to do so will result in the commitment being withdrawn and the Lender/Non-Profit will have to reapply for funding. The County will provide notification in writing to the lender/nonprofit listing any information and/or documentation that is needed.

A *"Preliminary Eligibility Award Letter"* will be issued when the County determines, based on the documentation that has been submitted from the lender or non-profit, that the homebuyer(s) **(only those household members signing the first and second mortgage documents)** is/are income eligible and submits income information for all members in the household to the County and the County subsequently examines and verifies all household members income and determines that collectively, the household is income eligible, and sufficient funds exist to commit to the household in DPA assistance. The lender or non-profit will only initially determine income eligibility for only those household members signing the first and second mortgage. The County will subsequently examine and verify the gross anticipated income of all members of the household and re-check and approve the income calculations and verifications performed by the lender on the household members who will sign the mortgage documents. If the household meet all income eligibility criteria, the County will certify the household to be income eligible.

The County's goal is to fax the lender or non-profit a *"Preliminary Eligibility Award"* letter within five (5) business days of receipt of the required documentation.

The County will allow a homebuyer applicant to change lenders after the they have obtained a *"Preliminary Eligibility Award Letter"*, however this must be done prior to the "Preliminary Eligibility Expiration Date" listed on the letter. The homebuyer applicant still has to meet all of the applicable FTHB Guidelines.

The *"Preliminary Eligibility Award Letter"* expires after sixty (60) days. Loans must close within the Commitment Period. The Commitment Period may be extended only in the following circumstances and only with a written request received by AHS before the expiration of the Commitment Period:

- The lender is no longer in business;
- The lender has moved local operations out of state; or
- New construction delays that impact home completion through no fault of the borrower, as established with detailed explanations by the builder.

b. Second, homebuyer completes a sales contract. Upon County issuance of a loan commitment via a "Preliminary Eligibility Award" letter, homebuyer may select a home and complete a sales contract, if one has not been selected already. The executed sales contract is submitted, along with a good faith estimate, to the County for inclusion in the loan document package.

c. Third, within 30 days of receipt of the *"Preliminary Eligibility Award Letter"*, deliver the borrower's completed *"Application Package"* to the County for approval (a FAX copy will not be accepted). To assist in preparing a complete *"Application Package"*, the submittal shall include a completed *"County Checklist"*. Failure to submit a complete file within 30 days of the *"Preliminary Eligibility Award Letter"* will result in the loan package being returned to the lender/non-profit. The "County Checklist" was established to aid in summarizing the loan package and for reporting. All the forms used in the program are on the checklist as a double check for the lender or non-profit. Some key areas on the form are:

- Homebuyer/Purchase Rehab Boxes - The Purchase/Rehab box should ONLY be marked if the County is funding the repairs, or if the home has had documented/eligible rehab within twelve (12) months prior to closing.
- Appraisal Value - This is the value of the property, not the cost of the appraisal.
- Borrower contribution - This must be at least the amount required by the Minimum Investment Box.

Prior to the expiration of the original 30-day Application Submittal period, a lender may provide a request for an **extension of thirty (30) days** on the period in which a complete loan package must be submitted to the County. Requests for extensions, which must be in writing, will not be accepted after the original 30-day Application Submittal period has expired. The Lender must provide an explanation for the extension and receive written approval from the County. If an extension is granted, a complete loan package is required to be submitted to the County within sixty (60) days from the issuance of a *"Preliminary Eligibility Award Letter"* and the borrower will have a **total of ninety (90) days**, from the date of Preliminary Approval to close on a home. **Absolutely no extensions will be granted beyond the ninety (90) days.**

Appraisal: **Only an appraisal from a licensed, certified appraiser may be used. Appraisals from licensed, certified appraisers will be valid for a period of 120 days from the effective date of the appraisal.** Valuations by real estate professionals are not allowed.

Credit Reports: Include the latest credit report in the package. Credit reports are required on both spouses, where only one is required for lender financing. For separated spouses, the County will permit just one spouse to sign the County's loan documents, but will need an affidavit from the estranged spouse stating that home to be purchased is not their homestead. If an affidavit is not possible to be obtain, then both spouses will need to sign the County's loan documents.

d. Denied Applications: Lenders or non-profits will be provided written confirmation from the County when applications are denied.

e. Fourth, schedule closing. The borrower must close on their home within the sixty (60) day period of the "Preliminary Eligibility Award Letter". Exceptions to the sixty (60) day term will be granted when a new home is being constructed, but the term of the Preliminary Eligibility Award Letter shall not exceed six (6) months. In the event of a man-made, natural or state/federal declared disaster that delays a loan closing and/or new home construction, the County, at its option, may grant an extension on the term of the Preliminary Eligibility Award Letter.

f. DPA funds will only be dispersed once the County approves the loan. Upon review of the completed client loan file, the County will issue an *"Eligibility A ward Letter".*

g. The homebuyer or homebuyer's real estate agent should not be permitted to call the County. The County will only confer with the lender or nonprofit.

3. Verifying Income and Assets:

Lenders or Non-profits must also complete and sign the Florida Housing Finance Corporation (FHFC) -*"Income Certification Form"* for the homebuyers who sign the first and second mortgage documents. The homebuyer must sign and date the FHFC Income Certification form and the form cannot be dated earlier than the date on the last 3rd Party Verification form received. The County will verify the income and assets for the remaining household members and check and approve the income and assets calculations and verifications performed by the lender or non-profit on the homebuyers who will sign the mortgage documents.

a. Employment Income:

Employment verification form completed by the employer or statement from employer on company letterhead; and if employment verification is unavailable, 30-day period of pay stubs, showing employee's name, gross pay per pay period.

b. Self-Employment Income:

- Accountant's or bookkeeper's statement of net income; or
- Audited or unaudited financial statement(s) of the business along with a notarized statement from the homebuyer giving the anticipated income for the 12 months following certification.
- Source documents such as wage statements, interest statements, unemployment compensation statements, bank statements, etc. (Last years's tax returns may be used to provide support to these source documents).

c. Social Security, Pensions, Supplemental Security Income (SSI), Disability Income:

- A benefit verification form completed by the agency providing the benefits (this must be less than 4 months old); or
- An award or benefit notification letter prepared and signed by the authorizing agency.

d. Unemployment Compensation:

- A verification form completed by the unemployment compensation agency; or
- Records from the unemployment office stating payment dates and amounts.

e. Alimony or Child Support Payments:

A copy of a separation or settlement agreement or a divorce decree stating the amount and type of support payment schedule. If the document is not within the 90-day time frame, a notarized statement from the applicant stating current income; or,

- A notarized letter from the person paying support; if not a court order; or,
- A printout from the court or governmental agency through which payments are being made.

f. Recurring Contributions and Gains:

- Notarized statement or affidavit signed by the person providing the assistance giving the purpose, dates, and value of the gifts; or
- A letter from a bank, attorney, or a trustee providing required verification.

g. Unemployed Applicants:

- The income of unemployed applicants with regular income from any source, such as Social Security, pension, recurring gifts. etc., must be verified as covered previously.

APPROVED BY: Paula Harvey

Paula Harvey AICP,
Director of Affordable Services Housing

11-14-11
Date