

PASCO COUNTY COMMUNITY DEVELOPMENT HOMEBUYER ASSISTANCE PROGRAMS

Lender's Manual May 3, 2016

Introduction

Pasco County has been helping people purchase and repair homes since 1992. Both State Housing Initiative Partnership (SHIP) and Neighborhood Stabilization Program (NSP) funds have been utilized to help homebuyers and homeowners.

Who is eligible?

Both NSP and SHIP funds are available to families earning less than 120% of the median income for the Tampa Bay area. NSP requires that 25% of all funds be spent on families earning less than 50% of the median income.

This is not a first time homebuyer program. There is no restriction on prior homeownership and the applicant may own one other home at the time of application.

Please note that funding may not be available for all income categories at all times. Please contact Community Development to verify funding availability.

The County's loan program:

The County's funds are given in the form of a no interest loan. The loan will remain at 0% interest as long as the home remains owner occupied and homesteaded. Payback can be amortized up to 30 years and may be deferred if the payments are not affordable to the homebuyer. Normally, the County's payback loans will not increase the client's ratios beyond 28% for housing costs and 38% for total debt.

If the prospective homebuyer's expenses, including a payment to the County, exceed those ratios, the loan may be deferred for 5 years. At the end of 5 years, the loan payment will begin. The County's maximum rates are 35%/40% with the opportunity for approval up to 40%/45% with Community Development Division Committee Approval. The payback information will be given to the lender when the loan is approved and also TBCDC will have that information to discuss with the client at their one-on-one session before closing.

Sometimes the loan is divided into a partial payback and a partial deferred payback.

If the borrower converts the house to a rental unit, or if they vacate the house, or if they sell the home, the loan becomes immediately due in full. However, a payment arrangement may be able to be made with the County. In this case, interest will be charged.

What kind of homes are eligible?

Only single-family homes, town homes and villas or condos are eligible for this program. The maximum sales price cannot exceed \$240,000.

What kind of assistance is available?

There are two assistance programs currently available. Both programs follow the same income and eligibility guidelines.

H.A.P. – Homebuyers Assistance Program is for use with any Pasco County home excluding mobile homes. This program is funded through SHIP funding.

	Funds	Minimum investment	Loan terms	Payment
Very Low Income	\$10,000	\$500	15 years	55.56 per month
Low Income	\$5,000	\$1,250	10 years	41.67 per month
Moderate Income	\$5,000	\$1,500	10 years	41.67 per month

If you sell or transfer your property within the first 5 years of ownership, there will be a shared equity penalty. This means that a portion of the appreciated sales price will be shared with the County, in addition to the principal balance that you owe. For the first 3 years that percentage is 50%, for years 4-5 the homeowner will share 25% with the County. Appreciation is defined as the gain a homebuyer receives from the sale of the home, less any reasonable title and real estate costs. The cost of the home improvements completed with building permits also shall be deducted from this amount. Under no conditions shall this penalty be more than twice the amount of the original County loan.

N.S.P. - Neighborhood Stabilization Program is for use with select homes that have either been purchased by Pasco County and rehabbed by a non-profit organization or a home that has been built specifically for this program by a non-profit organization.

Rehabilitated Homes

	Funds	Minimum investment	Loan terms	Payment
Very Low Income	\$30,000	\$500	30 years	83.33 per month
Low Income	\$20,000	\$1,250	25 years	66.67 per month
Moderate Income	\$10,000	\$1,250	15 years	55.56 per month

New Construction Homes

	Funds	Minimum Investment	Loan terms	Payment
Very Low Income (For Homes less than \$100,000)	Up to ½ purchase price up to \$50,000	\$500	30 years	\$138.89 per month
Low & Moderate Income	\$25,000	\$1,250	30 years	69.45 per month

If you sell or transfer your property there may be a recapture penalty if the borrower purchased the property for less than the appraised value; this recapture will be the difference between the sales price and appraised value at the time of purchase. There will be no recapture on equity earned above and beyond appraised value.

How much does the borrower need to invest in the transaction?

There are different guidelines for each program – specific amounts are stated in the tables above.

How do I document the borrower’s minimum investment in the transaction?

The borrower’s minimum investment can include the earnest money deposit, amount paid for appraisal, home inspections, etc., and other expenses the borrower pays to finalize the closing. Specific expenses not listed herein can be reviewed on a case by case basis. Also if the lender requires the borrower to pay off debts as a condition of approval, those amounts can be used as part of the minimum investment.

Each item must be documented on the final HUD-1 closing statement as paid outside closing.

These funds may be in the form of a documented gift from a family member. Seller contribution is not eligible.

TABLE ONE: INCOME LEVELS

All members of the household must be included in the income and asset calculations, not just the persons on the loan. While their income is included, if they are not on the title of the house or the loan application (if not married), neither their debt nor their income will be considered in the determination as to whether they qualify for the loan and/or they have to make immediate payments. Their information will only be used to determine household income and asset cap eligibility. Minors under 18 do not have their incomes included.

When the applicant is married, whether or not they are currently living in the same household or not, both incomes and assets must be considered in order to determine Pasco County eligibility. Also, when the applicant is married, whether or not the spouse is on title or the loan application, both must sign the Pasco County note and mortgage.

INCOME GUIDELINES AS OF January, 2015

Income Limits by Family Size	1	2	3	4	5	6
Under 50% AMI (very low income)	\$ 20,750	\$23,700	\$ 26,650	\$ 29,600	\$ 32,000	\$ 34,350
Under 80% AMI (low income)	\$ 33,150	\$ 37,900	\$ 42,650	\$ 47,350	\$ 51,550	\$ 54,950
Under 120% AMI (moderate Income)	\$ 49,800	\$ 56,880	\$ 63,960	\$ 71,040	\$ 76,800	\$ 82,440

Please note that income guidelines are subject to change annually based on the US Department of Housing & Urban Development. These changes usually occur in January/February. Please contact Community Development to verify the income guidelines if you have any questions.

Homebuyer's Education:

Borrowers must attend the Dream of Homeownership Workshop specifically for Pasco County, provided by the County's homebuyer counseling partner, Tampa Bay Community Development Corporation (TBCDC). Other homebuyer classes are not eligible. This is a 7 hour class, typically broken into 2 parts.

To make a reservation for the class, your borrowers must call (866) 608-3220 or (727) 442-7075 or they may register online at www.tampabaycdc.org

Once a buyer has been approved for assistance, there is a required additional 1 hour personal budgeting session with a counselor from Tampa Bay CDC. This will be scheduled by Tampa Bay CDC and will be scheduled prior to closing.

How and when to reserve funds:

Before an application can be submitted for either the HAP or POP programs, funds need to be reserved for the borrower by the lender. This is not done by the borrower. The lender may email the reservation form directly to Louise McIntyre at lmcintyre@pascocountyfl.net or fax to 727-834-3450. This form is attached to this manual.

Reservations must be made when the application is taken and must include the property address. If the application is denied or cancelled, the lender will need to notify the County to cancel the funds. Reservations are good for 60 days. Reservations are property specific. If there is a change in home, the original reservation must be cancelled and a new one submitted.

THE APPLICATION

Lender and Realtor Education:

Participating lenders and realtors are required to attend the Pasco County Community Development Training for Housing Partners annually to maintain their approval status and serve as partners to assist borrowers with homeownership assistance. Lenders and realtors can register by contacting Community Development at 727-834-3445 or via our website at <http://pascocountyfl.net/index.aspx?nid=575>.

The printed application package and the **Pasco County Application Package and Checklist** must be submitted to Pasco County Community Development , 200 Main Street, Suite 200, New Port Richey, FL 34652. **Faxed or emailed packages will not be accepted.**

The Application Package and Checklist is attached to this manual.

The loan amounts and payment amounts entered on our checklist must be the same as the corresponding numbers on the 1003 and GFE/Loan Estimate.

All documents must be dated within 90 days of application to the County.

Lender application (1003): The file must contain a signed application for the first mortgage.

Good Faith Estimate / Loan Estimate: Loan amounts and payments must match those on 1003 and Pasco County application and checklist.

Real Estate Contract: Entire sales contract must be submitted.

Appraisal: A printed copy of the appraisal report must be submitted to the county. Only an appraisal from a licensed, certified appraiser may be used. Valuations by real estate professionals are not allowed.

Credit Reports: Include the latest credit report in the file for all parties that will be on title. Credit report is required for both people if married whether both are on title or not.

The credit report is not used for underwriting; however approval above 35% ratio on the front end or 40% ratio on the back end may only be approved by special credit committee. Significant compensating factors must be present.

Verification of Income and Assets:

The verification process that the County uses is mandated by the Department of Housing and Urban Development and the Florida Housing Finance Corporation. Deviations are not allowed. Every income and asset source for everyone living in the household must be verified by a third party source. First, however, income and assets need to be identified.

Prospective homebuyers are ineligible for county funding if they have assets of more than \$250,000.

Definition of Annual Income:

Annual income is defined as the gross amount of income of all adult household members that is anticipated to be received during the coming 12 month period. Income information provided by participating households must be verified, and files must include documentation of each participating household's income eligibility.

Determining whose income to count:

- A) Count all anticipated income of all adult household members 18 and over.
- B) The following income is not counted:
 - Income of live-in aides. 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 aide, regardless of its source, is not counted. A related person can never be considered a live-in aide;
 - Income attributable to the care of foster children. 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;

- Employment income of minors. Employment income of minors (age 17 and under) is not counted. However, unearned income attributable to a minor (e.g., child support, supplemental security income, AFDC payments, and other benefits paid on behalf of a minor), must be counted.
- C) Family members living apart from the family also require special consideration:
- Temporarily absent family members. The income of temporarily absent family members is counted in annual income regardless of the amount the absent member contributes to the household. For example, a construction worker employed at a temporary job on the other side of the state earns \$600/week. He keeps \$200 per week for expenses and sends \$400 a week home to the family. The entire amount (\$600/week) is counted in the family income.
 - Adult students living away from home. If the adult student (18 and older) is counted as a member of the household in determining the income limit used for eligibility of the family, the student's income must be counted in the family income. An example is a student who spends holidays and summer recess in the household while pursuing a full-time education. If proof is given that child is a fulltime student, only \$480 of their earned income is counted. However, if the student is the spouse of the homebuyer or if the student is on title, then their full income is counted.
 - Permanently absent family member. If a family member is permanently absent from the household (eg. A spouse who is in a nursing home) the head of the household has the choice of either counting that person as a member of the household and include income attributable to that person as household income, or specifying that the person is no longer a member of the household.
 - Lump-sum additions to Family assets, such as inheritances, insurance payments (including payments under health and accident insurance and work's compensation), capital gains and settlement for personal or property losses (see paragraph 5 of Income Inclusions);
 - Educations Scholarships;

Income Inclusions

- 1) All gross wages and salaries, overtime pay, commissions, fees, tips, bonuses, and other compensation for personal services (before any payroll deductions);
- 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 (there is a special County form that must be completed), and the last two years of tax forms must be included with the package.

- 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 (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 invest 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 .06%);
- 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);
- 5) Payments in lieu of earnings, such as unemployment, worker's compensations and severance pay (but see paragraph (3) under Income Exclusions);
- 6) Periodic and determinable 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 applicant (1) certifies that the income is not being provided, and (2) takes all reasonable legal actions to collect amounts due. For example: filing with the Child Support Enforcement Office, State of Florida, Department of Revenue;
- 7) All regular pay, special pay, and allowances of a member of the Armed Forces (whether of not living in the dwelling) who is head of the Family, spouse, or other person whose dependents are residing in the unit;

Calculating Income

Lenders should assume that today's circumstances will continue for the next 12 months, unless there is verifiable evidence to the contrary. For example, if a head of household is currently working for \$7.00/hour, 40 hours/week, the agency should assume that this family member will continue to do so for the next year. Thus, estimated earnings will be \$7/hour X 2,080 hours or \$14,560.

This method should be used even when it is not clear that this type of income will continue in the coming year. For example, if a family member has been receiving unemployment benefits of \$400/month for 15 weeks at the time of income certification. It is unlikely that the family member will continue on unemployment for another 52 weeks, but because it is not known whether or when the family member

will find employment, the local agency should use the current circumstance to anticipate Annual Income. Income would therefore be calculated as follows: \$400/month x 12 months or \$4,800.

The exception to this rule is when documentation is provided that current circumstances are about to change.

Treatment of Assets

In general terms, an asset is a cash or non-cash item that can be converted to cash (Note: it is the income earned – not the asset value that is counted in Annual Income.)

Actual Income from Assets

In general, the income counted is the actual income generated by the asset (e.g., interest on savings or checking account). The income is counted, even if the household elects not to receive it. For example, although an applicant may elect to reinvest the interest or dividends from an asset, the interest or dividends is still counted as 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.

Assets Valued at \$5,000 or Over

For most assets, calculating income from the assets is straight forward. Special rules have, however, been established to address situations in which the assets produce 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 an “imputed” income be calculated based on a Passbook Rate that is applied to the cash value of *all* assets. (The Passbook rate is established periodically by HUD which is currently .06 %.)

Cash Value of an Asset

Assets have both a market value and a cash value. The market value of an asset is simply its dollar value on the open market. For example, a stock’s market value is the price quoted on a stock exchange on a particular day, and a property’s market value is the amount it would sell for on the open market. This may be determined by comparing the property with similar, recently sold properties. The costs associated with the sale of an asset can be subtracted before determining cash value.

An asset’s cash value is the market value less reasonable expenses required to convert the asset to cash including;

- **Penalties or fees converting financial holdings.** Any penalties, fees, or transition charges levied when an asset is converted to cash are deducted from the market value to determine its cash value (e.g. , penalties charged for premature withdrawal of a certificate of deposit, the transaction fee for converting mutual funds, or broker fees for converting stocks to cash); and/or

- **Costs for selling real property.** Settlement costs, real estate transaction fees, payment of mortgages/liens against the property, and any legal fees associated with the sale of real property are deducted from the market value to determine *equity* in the real estate.

ASSETS

A. Assets that should be Considered	B. Assets that Should not be Considered
<ol style="list-style-type: none"> 1. Savings account and the average 6-month balance of checking accounts. 2. Stocks, bonds, savings certificates, money market funds, and other investment accounts. 3. Equity in real property or other capital investments. Equity is the estimated current market value of the asset less the unpaid balance on all loans secured by the asset and reasonable costs (such as broker fees) that would be incurred in selling the asset. 4. The value of land, in excess of land allowable for the housing production is an asset. 5. Cash value of trusts that are available to the household. 6. IRA, Keogh, and similar retirement savings accounts, even though withdrawal would result in a penalty. 7. Contributions to company retirement/pension funds that can be withdrawn without retiring or terminating employment. This amount would be reduced by any penalty for early withdrawal. 8. Assets that, although owned by more than one person, allow unrestricted access by the applicant. 9. Lump-sum receipts, such as inheritances, capital gains, lottery winnings, insurance settlement, and other claims. 10. Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc. 11. Assets disposed of for less than fair market value during two years preceding certification or recertification. 	<ol style="list-style-type: none"> 1. Necessary personal property, except as noted in item 10. 2. Interest in Indian trust lands. 3. Assets that are a part of an active business or farming operation. (Note: Rental properties are considered personal assets unless real estate is the applicants main occupation.) 4. Assets not accessible to the family and that provide no income for the family. For example, an abused spouse who legally and jointly owns a house but (1) does not live in the home; (2) received no income from ownership of the home; and (3) has no ability to sell the home. 5. Vehicles specially equipped for the handicapped. 6. Equity in owner-occupied cooperation and manufactured homes in which the family lives. 7. Assets held in applicants' name but which are actually owned by someone else. <ol style="list-style-type: none"> A. Asset and income from asset accrue to someone else. B. The other person is responsible for paying taxes on income. C. Not to be confused with joint ownership. 8. Cash value of life insurance policies.

Verification of Income

- 1) Employment Income:
 - A. Verification of Employments (VOE) form completed by the employer.
 - B. If employment verification is unavailable (you must show proof of several attempts to get the VOE), at least 6 months paystubs or earnings statements showing the employee's name, gross pay per period, and frequency of pay may be accepted. Proof has to be show by the lender that the Lender attempted to obtain verification several times unsuccessfully.
- 2) Self-Employment Income;
 - A. Audited or unaudited financial statement(s) of the business along with a notarized statement form the applicant giving the anticipated income for the next 12 months.
 - B. Two years tax returns from business.
- 3) Social Security, Pensions, Supplemental Security Income (SSI), Disability Income:
 - A. Awards letters stating monthly amounts.
- 4) Unemployment Compensation:
 - A. UE Benefit statement.
- 5) Alimony or Child Support Payments:
 - A. A copy of the marital dissolution and child support agreement stating the amount and type of support payments.
 - B. DOR printout showing payment history.
 - C. A notarized letter from the person paying support payments stating the monthly amount.
 - D. If parents were never married to one another and not receiving any child support then a notarized letter stating you were never married and do not receive any support and a copy of the birth certificate.
- 6) Recurring Contributions and Gifts:
 - A. Notarized statement or affidavit signed by the person providing the assistance giving the purpose, dates and amount.
 - B. A letter from a bank, attorney, or a trustee providing amount and frequency.
- 7) Unemployed Adults (over the age of 18):
 - A. Notarized letter stating the anticipated employment status for the next 12 months.
- 8) Bank Accounts:
 - A. Latest 6 months of consecutive checking account statements.
 - B. Latest 1 month savings account statements.
- 9) Pension, 401K or Investment accounts:
 - A. Latest quarterly statement.

Closing:

Once Pasco County Community Development has approved the borrower's loan package, closing can be scheduled approximately one week thereafter. After approval, Tampa Bay CDC will contact the borrower to schedule their 1 on 1 appointment. It takes 6 business days to order a down payment check.

Once Pasco County has approved the HUD anyone representing the lender, realtor or title company may pick the check up, or the lender can send an overnight label.

- a. Only fixed rate 1st mortgages are allowed. No ARMS or Balloons.
- b. Lenders may not charge more than 4% of their mortgage amount for fees and charges. This includes broker fees, points, underwriting fees, and other similar fees. It also includes yield spreads. Fees are defined by the County.
- c. Realtors may not charge any fees except their commission, which cannot be higher than the normally accepted rate.
- d. The interest on the loan from the lender cannot be more than 1% above the average FHA rate as shown on the Freddie Mac Website
- e. The homebuyer cannot take cash away from closing. Any extra money must be principal reduction to either mortgage.

Attachments:

Pasco County Community Development Reservation Form (1 page)

Application checklist

.

