Community Assistance

Affordable Housing Partner

Homebuyer Assistance
&
Neighborhood Stabilization Program Home Purchase

Program Manual of Procedures & Forms

Fiscal Year 2018 - 2020
# Affordable Housing Staff

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<th>Staff</th>
<th>E-mail</th>
</tr>
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<tbody>
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## Address

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Introduction

The Homebuyer Assistance program (HBA) and the Neighborhood Stabilization Program (NSP) Home Purchase program provide deferred payment loans to assist eligible first-time homebuyers purchase an existing/new construction home or a Volusia County-owned NSP home.

The HBA program is funded by Volusia County through annual federal and state grants awarded to support and expand affordable housing, including the Home Investment Partnerships Program (HOME) grant and the State Housing Initiatives Partnership (SHIP) program.

The NSP is a one-time federal grant program that provided funds to Volusia County for the purchase and rehabilitation of foreclosed, bank-owned homes or the construction of new homes in Volusia County’s designated NSP target areas.

Program rules, policies and guidelines for implementing the HBA and NSP are established by the grant regulations, the U.S. Department of Housing and Urban Development (HUD), the Florida Housing Finance Corporation (FHFC) and Volusia County (Affordable Housing Program Policy [AHPP] and the Local Housing Assistance Plan [LHAP]). The County of Volusia Community Assistance Division ensures compliance with Fair Housing Laws.

Volusia County implements the HBA program in cooperation with Affordable Housing Partners (AHP) and the NSP program with AHPs and the NSP listing brokers (See Appendix A).

The purpose of this manual is threefold:

- Provide information to the AHP about the HBA and NSP
- Provide the guidelines and procedures for implementing the programs
- Provide the application, and other required/suggested forms to the AHP for their use

Program Overview

The purpose of the these programs is to assist eligible households to purchase an existing/new construction home or a NSP home by providing a subordinate deferred payment loan needed for purchase assistance and closing costs. The applicants must meet certain qualifications:

1. Total household income must be within established guidelines
   a. Certain NSP homes are set-aside for purchase by households with 50% of Area Median Income (AMI) or less
2. Must meet the County’s definition of first-time homebuyer
3. Be able to obtain an affordable first mortgage
4. Be able to contract for purchase of an eligible home or an NSP home
Persons who contact the Volusia County Community Assistance Division are provided the list of approved AHPs via flier or the County’s website. All applicants are screened and processed by a representative of an approved AHP agency. The AHP representative works directly with the applicant to complete and process their application. The AHP representative is intended to be the primary contact person for any communication between all parties involved in the purchase of the home. The AHP representative assists the applicant in 1) determining income eligibility; 2) determining qualification as a first-time homebuyer; 3) ensuring they have an eligible and affordable first mortgage; and 4) ensuring they have a contract to purchase an eligible home or an NSP home.

A household’s application for each program consists of two parts. The AHP representative shall submit each part to Volusia County Community Assistance Division for review and provides final approval/denial. Volusia County provides the subordinate mortgage, note and closing funds to the settlement agency for those applicants who are approved for and receive funding.

Volusia County Community Assistance Division reserves the right to accept or deny applications due to availability of funding and program rules, policies and guidelines. Volusia County periodically monitors households who have been assisted with HBA and NSP to ensure compliance with the terms of the loan.

Program Qualification Guidelines

1. Applicant income eligibility
   A. The process for calculating household income, based on household size, are governed by rules and policies established by HUD and FHFC.
   B. Total household income at application must not exceed the annual Area Median Income (AMI) levels, as determined by HUD and FHFC. (See Appendix B). **NOTE**: Limited HBA funding is available for households with income between 81% and 120% of AMI.
   C. The applicant must not have assets (fixed or liquid) that would enable them to purchase the home without assistance from Volusia County. The amount of liquid assets that the applicant may have in accounts after the loan closing cannot exceed the equivalent of twelve months of principal, interest, taxes and insurance (PITI) or $15,000, whichever is higher. Retirement assets including IRAs, 403(b), 457 or 401K accounts, or other similar accounts restricted for retirement usage, and funds established in an account for college education are not treated as liquid assets for this purpose.
   D. The applicant is required to contribute a minimum dollar amount toward the down payment of the home, based on their income range.
E. FHA (Federal Housing Administration) loans for NSP require a 3 ½ percent buyer cash contribution. One-half of the cash contribution may be included in the deferred loan from Volusia County. The remaining one-half cash contribution may count towards the applicant’s minimum contribution.

2. First-time homebuyer guidelines

A. The applicant must not have owned a home within the past three years. 
   NOTE: Mobile home exception – Applicants owning and residing in a mobile or manufactured home that is a pre-1994 unit or is ten years old or older and located on a lot they do not own are not considered “homeowners” and may participate in the program.

B. Applicants that have been previously assisted by the County with housing rehabilitation or homebuyer assistance are not eligible to apply for any further assistance.

C. If an applicant has been a defendant within the past seven years in a foreclosure action that resulted in foreclosure of real property that he or she owned, then the applicant is not eligible for the program.

D. If an applicant has been a defendant within the last five years in a foreclosure action that did not result in foreclosure, but resulted in a settlement transferring the property the applicant owned by deed in lieu of foreclosure or short sale, the applicant may not be eligible for the program based on Community Assistance’s discretion after review of the preliminary request.

E. All applicants will be required to complete a HUD certified homeownership counseling program course. NOTE: NSP applicants must complete an eight (8) hour HUD certified homeownership counseling program course.

3. HBA Home guidelines

A. The homebuyer is responsible to locate a safe, decent and affordable home.

B. The home may be located anywhere in Volusia County, except in the incorporated limits of the cities that are not within Volusia County’s CDBG entitlement area. The cities that are presently excluded are Daytona Beach and Deltona. NOTE: The County may use SHIP funds within the city limits of Oak Hill and Port Orange. SHIP funding is very limited for homes purchased within these cities.

C. The current maximum purchase price for existing and new construction homes is $225,000. The maximum purchase price may be adjusted annually.
4. NSP Home guidelines

A. The homebuyer can only buy a Volusia County owned NSP home.
B. The NSP homes were previously bank-owned, foreclosed homes or newly constructed homes that are located in Volusia County’s designated NSP target areas.
C. Volusia County Community Assistance is responsible to acquire and rehabilitate foreclosed homes or build homes on vacant County-owned land that meet NSP guidelines.

5. Secure an eligible first mortgage – Responsible lending standards

A. Applicants are required to secure a commitment for a first mortgage in the maximum amount for which they are eligible.
   NOTE: The first mortgage amount must be established without considering funds from the County.
B. The first mortgage must have payment terms that are affordable to the household
   i. Housing costs cannot exceed 30% of the maximum monthly income and must be at least 22% to demonstrate the need for purchase assistance.
   ii. Non-occupying co-borrower or co-signors are not allowed.
C. Responsible lending standards. The first mortgage lender is required to comply, at a minimum, with Volusia County's policies, in providing a first mortgage to the applicant. The policy includes:
   i. Fixed interest rate. The loan shall have a fixed interest rate for the full term of the loan.
   ii. Term. The term of the loan shall not be less than 15 years, nor more than 30 years.
   iii. Repayment affordability. The lender shall not engage in a pattern or practice of making higher-priced loans based on the value of the applicant's housing rather than on the applicant's ability to repay from verified income.
   iv. Front-end ratios. The front-end ratio must be at least 22% to demonstrate the need for homebuyer assistance. If the front-end ratio exceeds 30% the lender must provide a written explanation to the County regarding the reasons, to confirm that the higher percentages are allowed by the terms of the lender's guidelines, and to explain how the loan remains affordable for the applicant. 
   NOTE: A front-end ratio in excess of 35% will not be approved.
   v. Back-end ratios. The back-end ratio may exceed 41% only if the lender certifies that the higher back-end ratio complies with the guidelines for the specific type of mortgage product being product. The lender must provide a written explanation to the County regarding the reasons and how the loan remains affordable for the
applicant. **NOTE:** A back-end ratio in excess of 50% will not be approved.

vi. Escrow for taxes and insurance. The first mortgage shall provide for escrow of taxes and insurance to be collected on a monthly basis.

vii. Pre-payment penalty. The first mortgage loan shall not include any pre-payment penalties.

### Features of Volusia County’s Loan

1. Loan and term provisions

   A. Funds will be in the form of a 0% interest, 15 year deferred payment loan secured by a subordinate mortgage recorded in the land records of Volusia County. **NOTE:** The loan amount includes both the purchase and closing costs assistance.

   B. The County’s subordinate loan will occupy second position and is non-assumable.

   C. The County of Volusia must be named as loss payee on the homeowner’s insurance policy (See Appendix C).

   D. The hazard insurance must be sufficient to insure property for a combined balance of the first and second mortgage.

   E. The property taxes and hazard insurance must be held in escrow by the primary lender.

   F. The home must be the primary residence (no rental or leasing allowed) and homestead exemption status must be maintained during the 15 year term.

   G. The homeowner cannot further encumber or alter the deed of the home/property during the term of the mortgage without the consent of the County.

   H. Payment of the full loan balance is due (recapture) if the property is sold, leased or transferred within the 15 year term.

   I. The mortgage is forgiven at the end of the 15 year term if all conditions of the mortgage are met.

2. Amount of Loan

   A. **HBA** – The maximum loan amount shall be limited to the amount required to make the purchase affordable to the applicant and is determined by the following:

      i. Actual “gap” (sales price minus base loan minus required minimum contribution); or

      ii. Maximum purchase assistance based on household’s income level

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Maximum Purchase Assistance</th>
<th>Closing Cost Assistance</th>
<th>Maximum Award</th>
</tr>
</thead>
<tbody>
<tr>
<td>1% - 50% of AMI</td>
<td>$30,000</td>
<td>$6,000</td>
<td>$36,000</td>
</tr>
</tbody>
</table>
iii. The applicant cannot receive cash out at closing;

| 51 – 80% of AMI | $25,000 | $5,000 | $30,000 |
| 81% - 120% of AMI | $18,000 | $4,000 | $22,000 |

B. **NSP** – The maximum loan amount is based on the household’s income level and the “gap” of the financing of the primary loan.

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Purchase Assistance</th>
<th>Closing Cost Assistance</th>
<th>Maximum Award</th>
</tr>
</thead>
<tbody>
<tr>
<td>1% - 50% of AMI</td>
<td>$40,000</td>
<td>$6,000</td>
<td>$46,000</td>
</tr>
<tr>
<td>51% - 80% of AMI</td>
<td>$30,000</td>
<td>$5,000</td>
<td>$35,000</td>
</tr>
<tr>
<td>81 – 120% of AMI</td>
<td>$20,000</td>
<td>$3,000</td>
<td>$23,000</td>
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C. The following standards also apply for both HBA and NSP:
   i. The total amount of assistance cannot exceed the first mortgage amount;
   ii. The total amount of assistance cannot exceed 50% of the purchase price; and
   iii. The applicant cannot receive cash out at closing;

3. **Shared appreciation feature**

A. The County shall share in the net appreciation on the transfer of the home by the homebuyer if the home is transferred prior to the end of the 15 year term. The amount of net appreciation shall be determined by taking the contract sales price, less eligible closing costs, less borrower’s initial investment in acquisition of the property, less any valid outstanding liens (including the County’s lien for payment of the loan evidenced by the subordinate security instruments), less capital improvements to the property. **NOTE**: Capital improvements is something that adds value and is added to the home or property that is installed or affixed to the property (cannot be removed), and generally costs $1,000 or more.

B. The percentage of net appreciation to be shared between the County of Volusia and homebuyer is provided below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Homebuyer Net Appreciation</th>
<th>County Net Appreciation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 2</td>
<td>0 %</td>
<td>100 %</td>
</tr>
<tr>
<td>3 – 5</td>
<td>50 %</td>
<td>50 %</td>
</tr>
<tr>
<td>6 – 10</td>
<td>80 %</td>
<td>20 %</td>
</tr>
<tr>
<td>11 – 15</td>
<td>100 %</td>
<td>0 %</td>
</tr>
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4. **Subordination for refinancing; Mortgage assumption and restriction**

A. The County’s subordinate loan shall be non-assumable and will not be subordinated, except for refinancing of the first mortgage with the consent
of the Community Assistance Division with terms that improve the long-term affordability of the first mortgage or assist in sustaining the home. In making a determination to allow a subordination, the following conditions and terms shall be considered:

i. The homeowner must have resided in the property for at least two years;
ii. Interest rate is reduced; or
iii. Term of the loan reduced

The homeowner cannot receive any cash out as a result of the refinancing, except for a home equity loan/subordinate mortgage that is necessary to sustain homeownership for documented home repairs necessary to maintain the health and safety of the homeowners as approved by Community Assistance Division.

If the property is sold, the balance of the mortgage amount will be due upon sale of said property. If the property is transferred by any other means, or if the borrower vacates the premises for any reason, the County of Volusia may, at its option, negotiate the mortgage and interest rate rather than require that the entire principal balance be paid in full if it is determined that such payment would constitute undue hardship, providing that any applicable HOME affordability period has been completed.

Program Process

It is the responsibility of the AHP representative to submit the application and supporting documentation to the County on behalf of the applicant to determine program eligibility. The application process is a three part process:

i. Part 1 – Income and asset eligibility
ii. Part 2 – Home and mortgage eligibility
iii. Part 3 – Closing

The AHP representative is intended to be the primary contact person for communication between all parties related to the homebuyer assistance. The AHP representative shall assist with the County’s application process to be able to complete the purchase. Depending on the AHP’s profession (non-profit agency, realtor, lender/broker or builder), the AHP representative shall also assist the homebuyer in understanding the purchase process; assist with the execution of the purchase contract; assist with the application and approval of the first mortgage.

1. Part 1 – Applicant Eligibility

   A. Applicant will contact an AHP agency to apply for assistance
   B. AHP representative will determine readiness for becoming a homebuyer and qualify applicant by using program guidelines
      i. Work with applicant to complete application and compile required forms and documents (See pages 16 - 28)
      ii. Assist applicant with gathering supporting documents
      iii. Verify applicant’s income and assets using third party verification

C. AHP representative completes Part 1 checklist and submits it with client’s application package to the Community Assistance Division

D. Community Assistance Division will review submitted package for approval or denial
   i. Community Assistance will notify AHP representative of any issues within five business days of receiving the package
      1. Noted issues and missing documents must be submitted at one time and within 10 business days from notification.
   ii. If approved, Community Assistance will prepare the income summary forms and e-mail to AHP representative for applicant’s signature:
      1. Resident Income Certification (See Appendix D)
      2. Form 24 CFR Part 5 Annual Income Calculation (See Appendix E)
   iii. Within three business days from receipt of the signed income summary forms, the commitment letter to applicant will be prepared (See Appendix F) by the Community Assistance Division
      1. Upon issuance of the commitment letter will be mailed to applicant by the Community Assistance Division and e-mailed to AHP representative
         a. Estimated funds will be encumbered at this time
         b. A commitment letter is required to submit an offer on a NSP home

2. Part 2 – Mortgage and home eligibility

   A. AHP representative will assist applicant to identify and secure an affordable mortgage
      i. Applicant to apply for maximum affordable mortgage
      ii. The applicant will obtain from primary lender:
         1. Loan Estimate
         2. Commitment letter
      iii. Primary lender to complete the Lender Certification
      iv. Applicant to complete the Debt-to-Income Worksheet
   B. AHP representative will assist applicant to identify and secure eligible home
      i. Ensure the home meets their needs
      ii. Assist with the execution of the purchase contract
         1. A purchase offer for an NSP home is made through the NSP Listing Brokers using the approved NSP purchase contract and Addendum (See Appendix G)
         2. The purchase offer is submitted by the Listing Broker to Community Assistance Division for review, acceptance, modification and/or denial.
      iii. Recommend a home inspection be conducted
iv. Work with applicant to complete Part 2 of the application package

C. AHP representative completes Part 2 checklist and submits it and the required supporting documents to Community Assistance Division (See pages 30 - 35)

D. Community Assistance Division will review submitted documents for approval or denial
   i. HBA
      1. Community Assistance will notify AHP representative of any issues within five business days of receiving the package
         1. Issues and missing documents must be submitted at one time and within 10 business days from notification.
      2. Community Assistance will provide the Home Quality Standards (HQS) home inspection agency with the property location and contact person information to schedule the inspection within three business days from receiving the package
         1. The HQS home inspection agency will:
            a) Schedule the inspection within three business days from Community Assistance’s notification
            b) Conduct and submit completed HQS report within seven business days from inspection date
               a. If inspection fails, a re-inspection will be required
      3. The Community Assistance Division will prepare and disburse to applicant for review and signature:
         1. HBA agreement (See Appendix H)
         2. Loan Estimate (See Appendix I)
      4. Within three business days of receipt of executed HBA agreement and approval of HQS inspection, Community Assistance will prepare the HBA award letter (See Appendix J), closing disclosure (Appendix K) and closing process (See Appendix L)
         1. Upon issuance of the award letter the originals will be mailed to the client and copies to the AHP representative, lender and settlement agency.

ii. NSP
   1. Community Assistance will notify the AHP representative of any issues within five business days of receiving the package
      1. Issues and missing documents must be submitted at one time and within 10 business days from notification.
2. The Community Assistance Division will order the County Deed to be prepared and executed for delivery at closing.

3. After the deed has been issued Community Assistance will prepare the following documents:
   1. Loan Estimate (See Appendix I)
   2. Award letter
      c) Non-FHA (See Appendix M)
      d) FHA (See Appendix N)

4. Upon issuance of the award letter the original will be mailed to applicant and copies to the AHP representative, NSP Listing Broker, lender and settlement agency.

4. Part 3 – Closing

A. HBA
   i. A minimum of eight business days prior to the desired closing date the primary lender’s CD is provided to Community Assistance for review and approval/denial. The CD cannot be marked “estimate”, “draft” or the like.
      1. The review will take no more than two business days after receipt.
      2. If there are discrepancies or corrections needed, the desired closing date may be postponed.
   ii. Upon approval, Community Assistance will e-mail the settlement agency the approval status and provide the Request for Funds package and a tax identification form when applicable.
   iii. A minimum of four business days prior to the desired closing date the settlement agency will provide a complete Request for Funds package to Community Assistance. The complete package shall include:
      1. Request for funds on settlement agency’s letterhead
      2. Wiring instructions
      3. Tax identification form (W9), when applicable
   iv. The County’s closing package will be e-mailed as directed to the settlement agency one business day prior to the closing date. The e-mail will include instructions on who is to sign the mortgage and note, the return of the executed documents, who to notify should the closing not occur and the closing package. The closing package includes, but is not limited to:
      1. Subordinate Mortgage (See Appendix O)
      2. Note (See Appendix P)
      3. Finalized County CD

B. NSP
   i. The settlement agency will submit the primary lender’s CD to the Community Assistance Division for review and approval/denial.
1. The County requires receipt of the CD and closing documents at least 72 hours prior to the closing date for the review process by the legal department.
   
iid. If there are discrepancies or corrections needed, the settlement agency will be notified.
   
iii. Once the CD has been approved by both lenders, the closing date and time may be scheduled
   
iv. The closing date will be determined by all parties based on the settlement agency’s actual receipt of the primary lender’s closing package

v. The County’s closing package will be provided to the title company by Community Assistance by e-mail or hand delivery. The closing package includes, but is not limited to:
   1. Subordinate Mortgage (See Appendix O)
   2. Note (See Appendix P)

**Important Reminders**

1. White-out is prohibited on all forms.

2. Provide originals or legible copies of all documents as designated by Part 1 and 2 checklists.

3. Volusia County staff will not provide information relating to property listings. Requests for information should be made to the applicable NSP listing broker.

4. The AHP representative is responsible to provide the applicant with the HUD website for first-time homebuyer education class:
   http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm

5. First-time homebuyer education class certificates are valid for two years. Online class certificates are not acceptable.

6. The Housing Quality Standard (HQS) Inspection form and checklist can be located at the following websites:

   HQS form:  https://www.hud.gov/sites/documents/DOC_11742.PDF

   HQS checklist: https://www.hud.gov/sites/documents/DOC_11775.PDF