



MANAGING A SUCCESSFUL PURCHASE ASSISTANCE PROGRAM PART 1

Sponsored By:

Florida Housing Finance Corporation Catalyst Program

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OUR THANKS TO THE FLORIDA HOUSING CATALYST PROGRAM



AFFORDABLE HOUSING CATALYST PROGRAM

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CATALYST TRAINING SCHEDULE



The Coalition is Florida's affordable housing training and technical assistance provider.

Hotline: 1-800-677-4548

www.flhousing.org

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CATALYST TRAININGS

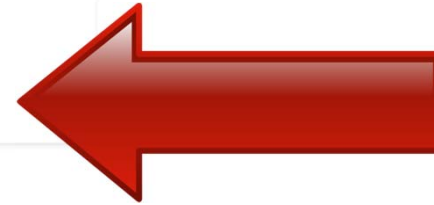


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You will hear from a
Lender
Realtor
Title Company

JOIN US FOR PART 2 OF:
MANAGING A SUCCESSFUL
PURCHASE ASSISTANCE PROGRAM

SEPTEMBER 26, 2019
2:00 PM.

REGISTER AT:
<https://register.gotowebinar.com>

WEBINAR LOGISTICS

- Participants are muted.
- Enter your questions in the box in your webinar panel.
- Forgot to ask a question or want to ask privately? Email me at andujar@flhousing.org.
- This webinar is being recorded and will be available at www.flhousing.org.
- Download the handouts.
- A survey will immediately follow the webinar; **please** complete it!
Thanks!

OVERVIEW

- SHIP Requirements
- Types of Purchase Assistance
- Eligible Housing Units
- Buyer Eligibility
- Homebuyer Education
- Program Administration
- Lender Guidelines

SHIP REQUIREMENTS

SHIP Statute 420.9072 1(a)

The Legislature further intends that local governments achieve this combination of resources by encouraging active partnerships between government, lenders, builders and developers, real estate professionals, advocates for low-income persons, and community groups to produce affordable housing and provide related services.

GOAL: CREATE LOCAL PARTNERSHIPS

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DEFINITION OF AFFORDABLE

- SHIP has a definition, but not a specific test.
- SHIP Definition: “Affordable” means that... monthly mortgage payments including taxes and insurance do not exceed 30 percent of monthly income.
- “...housing for which a household devotes more than 30 percent of its income shall be deemed affordable if the first institutional mortgage lender is satisfied.”

LOCAL HOUSING ASSISTANCE PLAN

- A new plan is approved every three years by the local government.
- Local Government can design their strategies based on community needs, funding and compliance requirements.
- Lenders and Realtors have an opportunity to serve on the Affordable Housing Advisory Committee and provide input on the plan during the comment period.

Every Plan is Different

SUPPORT COMMUNITY LAND TRUST

Model Community Land Trust Add-On Language for Down Payment Assistance Strategies¹

Purchase Assistance

Code 1, 2

- a. Summary: Funds will be awarded for down payment and closing costs for new and existing homes, including homes purchased from a community land trust (CLT). Home rehabilitation is also an eligible use, as needed when purchasing existing homes. To be eligible, existing homes must be in need of and receive at least \$2,500 in rehabilitation paid within 12 months by SHIP, CDBG, HOME, the seller, the buyer or another source.
- b. Fiscal Years Covered: 2019-2020, 2020-2021, 2021-2022
- c. Income Categories to be served: Very low, low and moderate
- d. Maximum award \$ 55,000
- e. Terms (see “Additional Information” for special terms for CLT home purchases)
 - 1. Repayment loan/deferred loan/grant: Funds will be awarded as a deferred subordinate loan secured by a recorded subordinate mortgage and note

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TYPES OF ASSISTANCE

➤ DOWN-PAYMENT ASSISTANCE

- Amount of down-payment depends on type of loan.
- FHA requires 3.5% down-payment.
- USDA and VA requires 0% down-payment.
- Conventional – up to 20% down-payment.

➤ CLOSING COST ASSISTANCE:

- Closing costs only loan
 - For buyers who qualify for 100% LTV
- Closing costs vary greatly depending on lender and type of loan (Conventional, FHA, VA, USDA).
- Typically 3-5% of purchase price.

TYPES OF ASSISTANCE

➤ MORTGAGE BUYDOWN:

- Pay points to buydown interest rate and lower monthly mortgage payments.

➤ HOMEOWNERSHIP COUNSELING

- Pre or post purchase classes.
- Credit counseling.
- Financial literacy.

➤ HOUSING REHABILITATION

- Provide up front subsidy in conjunction with down payment or closing cost assistance to allow for home repairs. This supports long-term affordability.
- Helps meet the 75% construction set-aside.

TIPS FOR SUPPORTING AFFORDABILITY

- Program design is flexible, do not impede the process with excessive or redundant policy or restrictions.
- Providing both down-payment and closing cost subsidies together will increase affordability.
- Buyer should ask for seller paid closing costs to leverage SHIP dollars.
- Ask lender about home warranty as a closing cost.
- Encourage or require home inspection in addition to appraisal to support long-term affordability.

ELIGIBLE HOUSING UNITS

SHIP STATUTORY DEFINITION OF ELIGIBLE HOUSING:

“Residential units that are designed to meet the standards of the Florida Building Code or previous building codes adopted under chapter 553, or manufactured housing constructed after June 1994 and installed in accordance with the installation standards for mobile or manufactured homes contained in rules of the Department of Highway Safety and Motor Vehicles”



PHOTO: DAVID MCNEW/GETTY IMAGES

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ELIGIBLE HOUSING UNITS

- Single-Family Homes, Townhomes, Condos, Modular Homes (built to FL Building Code), Mobile Homes after 1994.



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MAXIMUM PURCHASE PRICE

- Unit eligibility considers the value of the unit.
 - The sales price or value of new or existing eligible housing may not exceed 90 percent of the average area purchase price in the statistical area in which the eligible housing is located.
 - LHAP will also identify maximum purchase price requirements.

County	90% Average Area Purchase Price
BAKER	322,925
BROWARD	320,855
CLAY	322,925
COLLIER	405,727
DUVAL	322,925
MANATEE	288,769
MARTIN	294,979
MIAMI-DADE	320,855
MONROE	476,108
NASSAU	322,925
OKALOOSA	333,275
PALM BEACH	320,855
SARASOTA	288,769
ST. JOHNS	322,925
ST. LUCIE	294,979
WALTON	333,275
All other areas (floor):	283,348
IRS Rev. Proclamation 2019-14	

BUYER ELIGIBILITY

➤ Eligibility Guidelines:

- Income qualified;
- Pre-approval through lender;
- Attend homebuyer education class.

➤ Some communities only assist first-time homebuyers.

- Not required by SHIP.

FIRST-TIME HOMEBUYERS



➤ Examples of a First-Time Homebuyer (HOME Criteria)

- Have not owned a home in the last three years;
- A single parent who only owned with a spouse while married;
- An applicant displaced as a result of a government entity purchasing their home.

Criteria for what is considered a first-time homebuyer is set by local government.

AMOUNT OF PURCHASE ASSISTANCE

- No statutory or regulatory cap on maximum assistance amount.
- Maximum award should be driven by housing cost and market conditions.
- Assistance = what target market can afford and housing cost.



HOME BUYER EDUCATION

➤ PREPARING THE HOME BUYER:

- Pre-purchase classes;
- Credit counseling;
- One-on-One counseling;
- Post-purchase classes.



❖ HOUSING COUNSELING IS A BEST PRACTICE
BUT IS NOT REQUIRED BY SHIP.

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HOME BUYER EDUCATION

- Outline in LHAP what the local government requires.

- May have specific requirements such as:
 - Eight hours
 - HUD approved counselor
 - Certificate not older than 12 months
 - Must be completed by all borrowers
 - classroom setting

HOME BUYER EDUCATION

➤ EXAMPLES OF POST-PURCHASE CLASSES:

- Foreclosure Prevention;
- Taking an active role in the community;
 - Taught by a volunteer from code enforcement, city government, or local police.
- Lawn maintenance and landscaping;
- Moisture/mold prevention;
- Energy conservation;
- Home safety ;
 - Taught by local emergency services.

POSITIVE OUTCOMES OF HOMEBUYER EDUCATION

Impacts	Beneficiaries
Reduced loan delinquency	Borrowers, Lenders, Neighborhoods
Improved financial health and knowledge	Borrowers
More efficient transaction	Borrowers, Lenders, Real estate industry professionals



Armando Loo



Jackie Villanueva

REAL ESTATE, EDUCATION AND COMMUNITY HOUSING, INC.

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R.E.A.C.H | Pre-purchase, Post-purchase &
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1451 W Cypress Creek Road, Suite #391

Fort Lauderdale, FL 33309

Miami Office:

9010 SW 137th Ave, Suite #116

Miami, FL 33186

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PROGRAM ADMINISTRATION

➤ WAYS TO ADMINISTER A PURCHASE ASSISTANCE PROGRAM:

- Local government administers entire program in house;
- Contract out pre-purchase education;
- Select one nonprofit to fully implement purchase strategy;
- Many nonprofits supply eligible buyers.



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LENDER GUIDELINES



- Allow Lenders to determine guidelines
- Address predatory lending
- Get buyer approved by the lender

Involve the lenders you most commonly work with in creating guidelines

PROGRAM ELIGIBILITY VS MORTGAGE ELIGIBILITY

Program Documentation and eligibility based on 24 CFR part 5.609:

- Application
- Bank statements
- Pension
- SSI
- Paystubs
- Tax returns

Local Government will request third party verifications for all Household Members

Review income inclusions and exclusions

https://www.hud.gov/sites/documents/DOC_35699.PDF

Mortgage Eligibility should be determined by Lender:

- Different loan products have different requirements
- The lender will review the income of borrowers and co-borrowers only
- The lender will look at the buyer's past history
- The lender only considers certain forms of income
- *The Lender is taking the biggest risk in relation to the loan*

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SUBORDINATION POLICY

- Summarize in strategy with reference to more policy details
- Some allow no subordination
- Others allow in cases that increase home affordability (refinancing 1st mortgage)
- Include in mortgage documents

RECAPTURE GUIDELINES

SHIP Allows a Variety of Recapture Options

- Direct Payment Loans at Various Terms
- Deferred Payment Loans of Various Terms
- Combination Direct/Deferred Payment Loans
- Grants – typically not done.

MORE IDEAS

- LG's can hold meetings with the local board of Realtors to share information on their programs.
- Schedule meetings with the CRA officer at local banks.
- Advertise targeting Realtors and Lenders in industry publications.
- Develop guidelines in conjunction with Realtors and Lenders.

WORKING WITH / SPONSOR DEVELOPERS OF SF HOMES

The LHAP must show how the benefit flows from the developer to the buyer

➤ Include both the terms for the developer and the terms for the buyer

➤ Terms

1. Repayment Loan/deferred loan/grant:
2. Interest Rate:
3. Years in Loan term:
4. Forgiveness:
5. Repayment:
6. Default:

BEYOND SHIP: MORE SOURCES OF BUYER ASSISTANCE

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FHFC SINGLE FAMILY PURCHASE ASSISTANCE

- First Mortgage plus Down Payment Assistance
- 100% AMI
- First time buyer or purchase in target area
- www.floridahousing.org
 - Homebuyers and renters
 - First time homebuyer program



What is the Florida Housing First Time Homebuyer Program?

The information contained on this site is for informational purposes only. In order to determine if you qualify for our Program and to determine the correct Program income and Purchase Price Limits, please contact an approved lender in your area from the Lender List below. Our approved loan officers can also assist you with any questions you may have specific to your credit history. Florida Housing's First Time Homebuyer (FTHB) Program offers 30-year fixed rate FIRST mortgage loans to first time homebuyers through participating lenders and lending institutions throughout the State of Florida. Eligible borrowers may also participate in one of Florida Housing's second mortgage programs to assist borrowers with down payment assistance and closing costs.

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FLORIDA HOUSING MORTGAGE CREDIT CERTIFICATE PROGRAM

- Homeowners receive a dollar-for-dollar tax credit for up to 50% of the mortgage interest paid per year, capped at \$2,000 annually.
- First time homebuyers and eligible veterans.
- Claim the credit as long as home remains principal residence & mortgage interest paid.
- Find lenders per county:
<http://apps.floridahousing.org/StandAlone/singleFamilyWizards/Wizard.aspx>
- Details at www.floridahousing.org/MCC.

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QUESTIONS



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PLEASE COMPLETE THE EVALUATION!

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