



# MANAGING A SUCCESSFUL PURCHASE ASSISTANCE PROGRAM PART 2

Sponsored By:

Florida Housing Finance Corporation Catalyst Program

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# OUR THANKS TO THE FLORIDA HOUSING FINANCE CORPORATION CATALYST PROGRAM

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## **AFFORDABLE HOUSING CATALYST PROGRAM**

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we make housing affordable™

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# CATALYST TRAINING SCHEDULE

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

**Hotline: 1-800-677-4548**

**[www.flhousing.org](http://www.flhousing.org)**

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# CATALYST TRAININGS



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## TRAINING CALENDAR

If you would like to search by Workshops or Webinars, please use the search tool below. Click to view categories. **For questions, please contact the Florida Housing Coalition at 850-878-4219 or [info@fhc.org](#)**

### Upcoming Events

EVENTS FROM <i>Date</i>	SEARCH <i>Keyword</i>	FIND EVENTS	VIEW AS List
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[« Previous Events](#)

August 2019

## ‘Past Catalyst Trainings’

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# PART 1 RECAP

## ➤ We Talked About:

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

## ➤ We Heard From:

- Homeownership Counselors
- Sub-Recipient Agency

PowerPoint and Handouts

Available At:

<https://www.flhousing.org/past-ship-trainings/>

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# WEBINAR LOGISTICS

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- 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](mailto:andujar@flhousing.org).
- This webinar is being recorded and will be available at [www.flhousing.org](http://www.flhousing.org).
- Download the handouts.
- A survey will immediately follow the webinar; **please** complete it!  
Thanks!

# OVERVIEW

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- SHIP Requirements
- Creating Partnerships
- The Benefits of Counseling
- Program Implementation
- Community Land Trust
- Program Performance
- Questions

# SHIP REQUIREMENTS

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# DEFINITION OF AFFORDABLE

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- 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.”

# SET-ASIDE COMPLIANCE

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## ➤ Homeownership Set-aside

- 65% of Allocation + Recaptured Funds

## ➤ Construction/Rehab Set-aside

- 75% of Allocation + Recaptured Funds

## ➤ Income Set-aside

A) At least 30% of all Revenue for Very Low (50% AMI)

B) At least 60% for VLI and Low combined (80% AMI)

**SHIP allows incomes up to 140% AMI**

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# MAXIMUM VALUE

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## ➤ Sales price" or "value" means

- In the case of acquisition of an existing or newly constructed unit, the amount on the **executed sales contract**.
- If building a unit on land they own sales price is determined by state certified appraiser based on the after-construction value performed by a state-certified appraiser. The appraisal must include the value of the land and must be dated within 12 months of the date construction is to commence.

# LONG TERM PARTNERS

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# CREATING STRATEGIC PARTNERS

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- Develop and nurture relationships with reliable partners;
- Create multiple partnerships;
  - Allows the buyer to have options;
- Benefits of partnering:
  - Supports a more seamless transaction;
  - Promotes collaboration between community businesses.

# CREATING STRATEGIC PARTNERS

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## ➤ How to Create Lasting Partnerships

- 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 Counselors, Realtors and Lenders.

# CREATING STRATEGIC PARTNERS

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- Offer SHIP “certification” classes for Realtors and Lenders.
- Fund housing counseling agencies
- Hold a SHIP roundtable and invite Realtors, Lenders, and Title Companies.
- Provide incentives to collaborate:
  - Referrals;
  - Advertising.



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# HOMEOWNER COUNSELING

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# UPCOMING HOUSING COUNSELING WEBINARS

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- Offering SHIP Housing Education and Counseling  
March 9, 2020 at 2:00 pm  
<https://register.gotowebinar.com/register/3660425242363302145>
- Successfully Implementing Counseling Assistance  
March 30, 2020 at 10:00 am  
<https://register.gotowebinar.com/register/1798526545538628609>

# BENEFITS OF HOUSING COUNSELING

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

# BENEFITS OF PRE-PURCHASE COUNSELING

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- There is evidence that pre-purchase counseling reduces the rate of first-time buyer delinquency by **29%**.

## SOURCE:

Peter Zorn analysis of 38,000 Freddie Mac mortgages, 2000 to 2008.

# PRE-PURCHASE COUNSELING WORKS

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➤ What is the dollar benefit of this delinquency rate reduction?

\$400 per loan

\$800 per loan

\$1000 per loan

# PRE-PURCHASE COUNSELING WORKS

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## Answer:

Estimated dollar benefit of  
this reduction is **\$1,000** per loan.

## SOURCE:

Peter Zorn analysis of 38,000 Freddie Mac mortgages, 2000 to 2008.

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# POST-PURCHASE COUNSELING TOPICS

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- Budgeting
- Energy Efficient Home Maintenance
- Preventing a Foreclosure
- Disaster Preparation <https://vimeo.com/351683268>
- Selecting and Managing Home Improvement Contractors
- Home Warranties and Insurance
- Exterior and Interior Pest Control
- Storm Shutters, Gutters, Drainage Control

## SHIP OFFICE MAKES HOUSING COUNSELING DECISIONS

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- Housing counseling is not required by SHIP rules but strongly encouraged
- Decide timing of counseling
- How long the certification is good for
- Type of counseling that is acceptable
- Who is required to attend



# WHO PROVIDES HOUSING COUNSELING

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- Nonprofits
- Some local governments
- County Extension Office
- Some are HUD Approved Counseling Agencies



# HUD APPROVED COUNSELING AGENCY

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- Benefits of working with a HUD approved counseling agency:
  - Quality Control
  - HUD Application scrutinizes experience, community base, staffing, language skills
  - 109 Florida HUD Approved Counseling Agencies
  - Find HUD approved counseling agencies:  
<https://www.hud.gov/states/florida/homeownership/hsgcounseling>

# CERTIFICATION OF INDIVIDUAL HUD COUNSELORS

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- Required by Dodd-Frank Act with Final Rule announced December 2016
- All services of a HUD-Approved HCA must be provided by Certified Counselors
- Deadline: August 2020

## Financial Management

- 1.1 Budget
- 1.2 Credit
- 1.3 Managing Assets
- 1.4 Protecting Assets

## Housing Affordability

- 2.1 Renting vs. Buying
- 2.2 Affordable Housing Options

## Fair Housing

- 3.1 History and Overview
- 3.2 Violations and Complaints

## Homeownership

- 4.1 Pre-purchase
- 4.2 Post-purchase

## Avoiding Foreclosure

- 5.1 Avoidance Strategies and Industry Practices
- 5.2 Retention Options
- 5.3 Disposition Options

## Tenancy

- 6.1 Obtaining and Maintaining Tenancy
- 6.2 Eviction

# SIX TOPICS ON THE EXAM

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# PROGRAM IMPLEMENTATION

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# 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](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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# LENDER GUIDELINES

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- Get buyer approved by the lender first.
- Work with Lenders to determine guidelines
- Address predatory lending

Involve the lenders you  
work with in creating guidelines



# LOAN GUIDELINES

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## ➤ Align your program requirements to match lending products

### Examples:

- FHA: Front end 31% back-end 43% . Back-end ratio can be as higher for borrowers with good credit and other "compensating factors."
- Fannie Mae: Front end 36% back-end 45% for manually written loans. For loans underwritten through Desktop Underwriter the back-end ratio is can be higher.
- VA: 41% back-end ratio

# AMOUNT OF PURCHASE ASSISTANCE

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



# BUYER CONTRIBUTION

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## ➤ **Some Local Governments Require a Minimum Contribution from Buyer**

### ■ **Example**

- Buyer must contribute 1-3% of purchase price
- Can count all prepaids towards contribution
- Allow gifts or require that contributions must be from borrower's own funds
- If you set these requirements in the LHAP, you must verify and document this information in the file

**Create realistic guidelines low-income  
borrowers can comply with**

# SUBSIDY LAYERING

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- Consider layering different funding sources to leverage program funds
- When layering the strictest rule will always apply
- Keep separate files and record separate mortgages
- SHIP allows flexibility on loan position

# INSPECTIONS

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## ➤ **Goal is Decent, Safe, and Sanitary Housing**

### ▪ **Best Practices**

1. Require that the borrower perform an inspection.
2. Check for open permits and illegal structures.
3. Have your inhouse inspector take pictures and identify any additional repairs needed.
4. Pay for emergency repairs after closing.
5. Document repairs made by the buyer or seller.

# CLOSING CONSIDERATIONS

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- No cash back to borrower at closing.
- Allow co-signer.
- Identify SHIP loan on closing documents.
- Include all soft cost in maximum award.
- Pay both closing cost and gap financing.



# **Jacquie Mirabal**

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# COMMUNITY LAND TRUST

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# WHAT IS A COMMUNITY LAND TRUST

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- The vehicle of separating ownership of the land from the building
- The nonprofit that holds title to the land and administers a ground lease



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# HOW IT WORKS FOR HOMEOWNERSHIP

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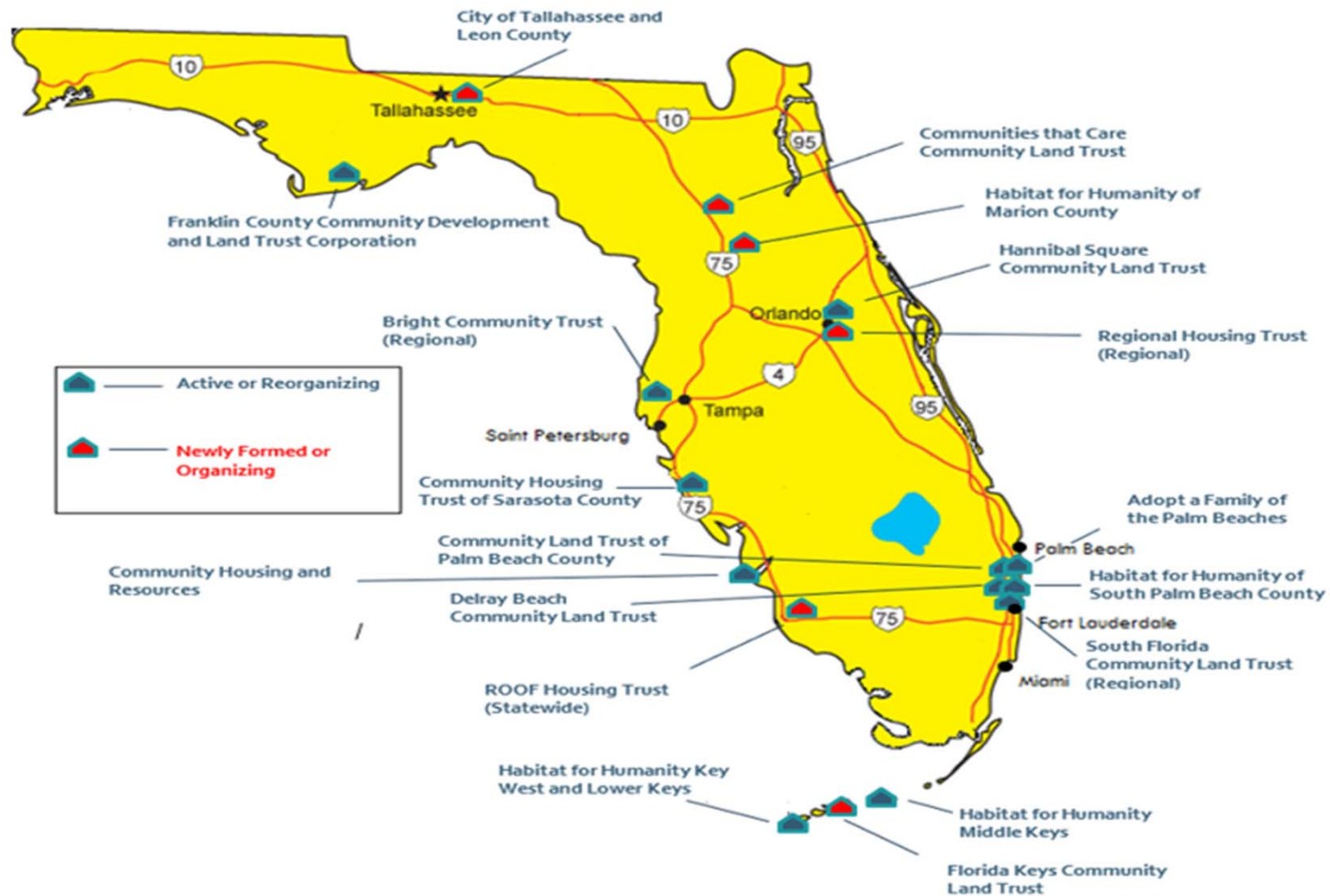
- A CLT acquires and retains ownership of land
- The improvements are sold to income eligible households
- Owners have the right to use the land by virtue of a 99-year lease agreement with the CLT (functional equivalent of ownership), requiring them to sell to other income-eligible purchasers at an affordable price

# HOW PERMANENT AFFORDABILITY IS ACCOMPLISHED

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- Resale restrictions
  - Income eligibility of subsequent buyers
  - Limit on resale price
- Use restrictions (must be primary home)
- Reduced property taxes
- CLT right to repurchase

# GROWING INTEREST IN CLTs



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# KEY BENEFITS OF THE CLT FOR THE PUBLIC

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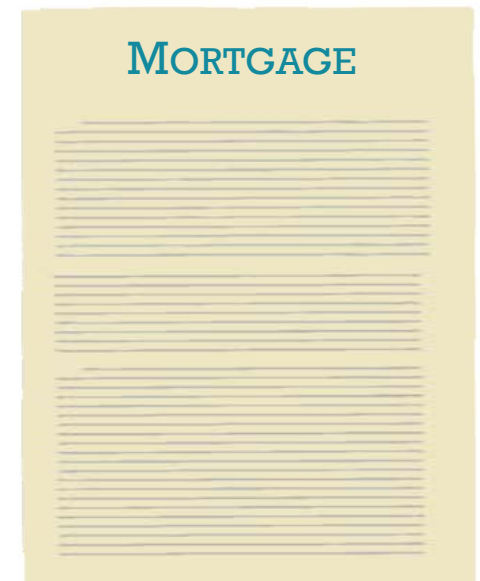
- Permanent stock of affordable housing is created
- Reduces the amount of subsidy needed to serve the same number of households
- A nonprofit is providing stewardship to help the homeowner to be successful
- Reduces the rental crisis by moving renters into CLT homeownership



# KEY BENEFITS FOR THE HOMEBUYER

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- Price of the home is now more affordable
- Staying in the community without being a renter means:
  - Mortgage payments instead of rent payments
  - Mortgage interest payments are deductible
  - Return of equity upon resale
  - Financial stability— able to save without fear of rent increases or loss of housing



# CLT HOMEOWNER RESPONSIBILITIES

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- Making monthly lease payment to CLT
- Making monthly mortgage payment to bank
- Paying tax bill for land and improvement (on resale restricted value)
- Making repairs – no landlord to call
- Receiving CLT approval before making certain improvements
- Notifying CLT when they intend to sell.

# CLT HOMEOWNER RESPONSIBILITIES

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- CLT homebuyer must understand the difference between fee simple and CLT homeownership
- Specifically, understanding what money to expect upon resale
- And that depends on the resale formula
- So...ensure that the CLT homebuyer understands the resale formula that your CLT is using

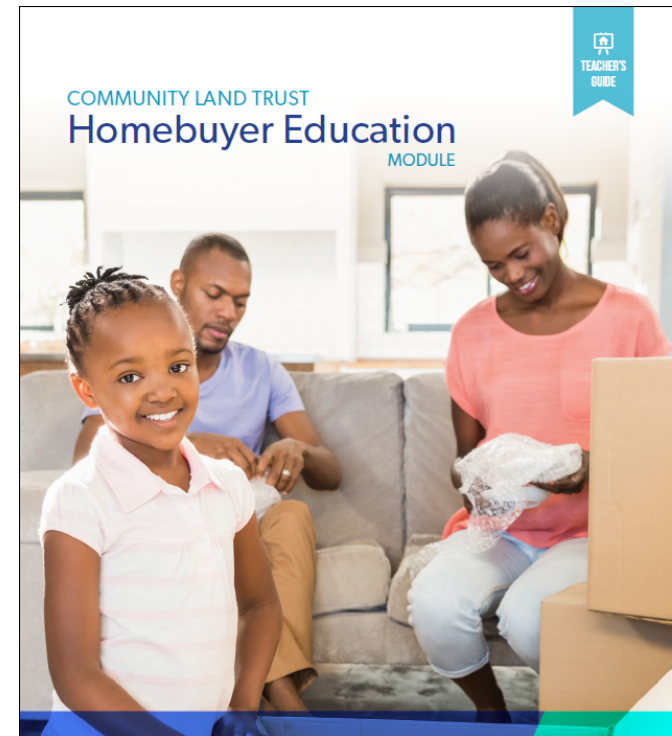


# CLT HOMEBUYER EDUCATION MODULE

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## ➤ Highlights:

- Teacher's Edition Available Now!
- Supplements general homebuyer education
- Understanding ground lease
- Transitioning to fee simple homeownership



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# PROGRAM PERFORMANCE

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# EVALUATING YOUR PROGRAM

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- Plan for continued affordability by assessing the housing market regularly.
- Amend your LHAP, if needed, to address current market conditions.
  - Technical Revisions
- Re-evaluate your program design every three years when your LHAP is due.
- Adjust subsidy amounts and eligibility requirements based on market assessment.

# ANNUAL REPORT DATA

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- Funds Leveraged
  - Public Funds
  - Private funds
  - Owner contribution
  
- With rehab/without rehab
  
- Special needs

# QUESTIONS



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# PLEASE COMPLETE THE EVALUATION!

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