



Managing a Successful Purchase Assistance Program

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Catalyst Training Schedule



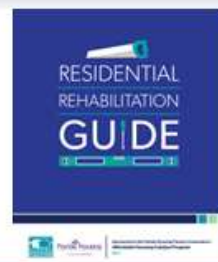
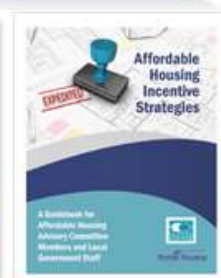
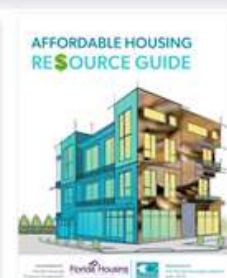
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www.flhousing.org



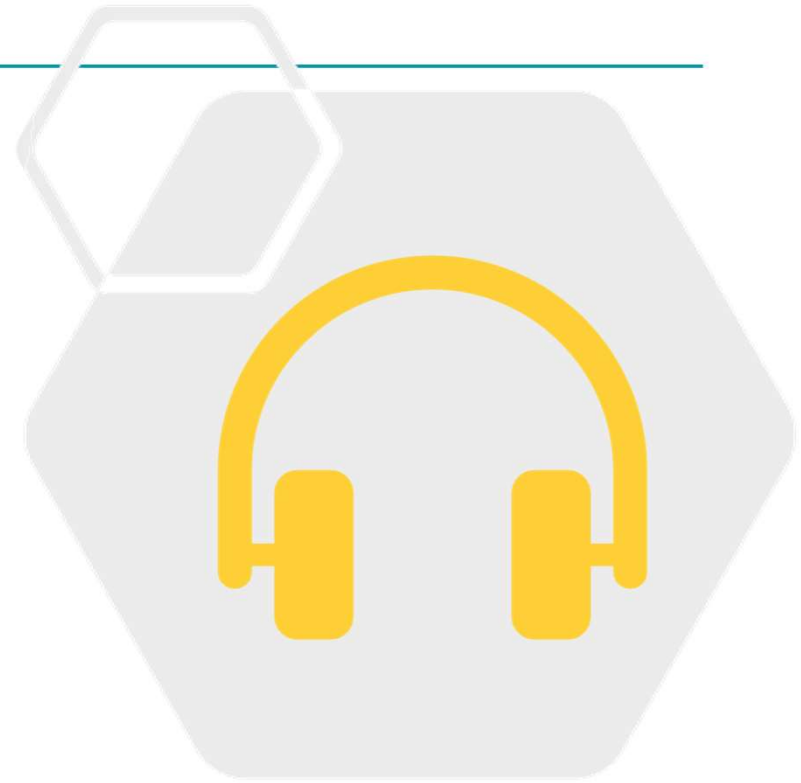
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- Participants are muted
- Enter your questions in the box in your webinar panel
- If non typing capability, click raise your hand button
- This webinar is being recorded and will be available at www.flhousing.org
- Use headphones for best audio
- A survey will immediately follow the webinar; *please* complete it! Thanks!



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Overview



SHIP Program Requirements

Tamara West

FHC Technical Advisor



Best Practices for Success

Carter Burton

FHC Director of Housing & Community Development
Realtor



Local Government Perspective

Tammy Harris, Bay County Housing Manager
Realtor

SHIP Program Requirements

Define Affordable

Local Housing Assistance Plan

Eligibility

Housing Types

Types of Assistance

Purchase Price

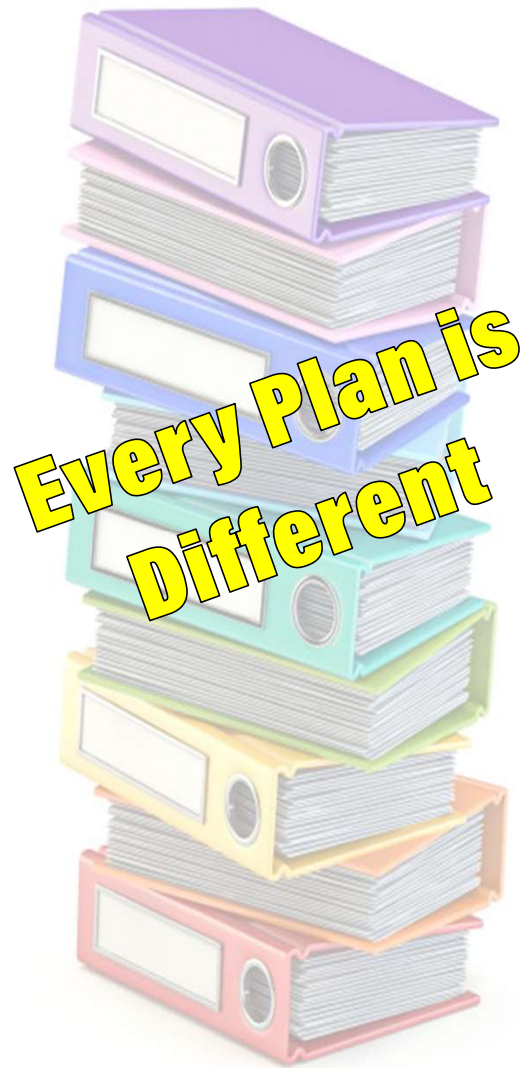
Administration



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 that amount [on the income limits chart]”
- “...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 (LHAP)

- 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 can also provide input on the plan during the comment period

Buyer Eligibility Varies Among Communities

Examples of Local Housing Assistance Plan Requirements (local decision)

- Attend homebuyer class or credit counseling
- No recent foreclosure or bankruptcy
- Up to 140% of median
- Some only assist First Time Homebuyers
(not a SHIP Requirement)
- **Definition of First-Time Homebuyer in Local Housing Assistance Plan**



Define 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.

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Income Eligibility vs. Mortgage Eligibility

Income Eligibility is based on 24 CFR part 5.609	Mortgage Eligibility: Can the applicant pay the mortgage?
<ul style="list-style-type: none">• Income• Assets• Pension• SSI• Unemployment	<ul style="list-style-type: none">• Can 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

Eligible Housing



- SHIP Statutory Definition of Eligible Housing: “**Real and personal property... intended for the primary purpose of providing... residential units**”
- Single-Family, Townhomes, Condos, Modular Homes (built to FL Building Code), Mobile Homes after 1994

Types of Purchase Assistance

Strategies can be paired for maximum assistance.

- Only Closing Costs: for buyers who fully qualify for amount of purchase price

EXAMPLE: \$225,000 Sales Price
\$225,000 First Mortgage

- Down Payment & Principal Reduction: many buyers need GAP financing

EXAMPLE: \$225,000 Sales Price
\$190,000 First Mortgage
\$ 35,000 SHIP fills the gap

* No cash back at closing.

* Provide the assistance needed to support long-term affordability.

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Maximum Purchase Price

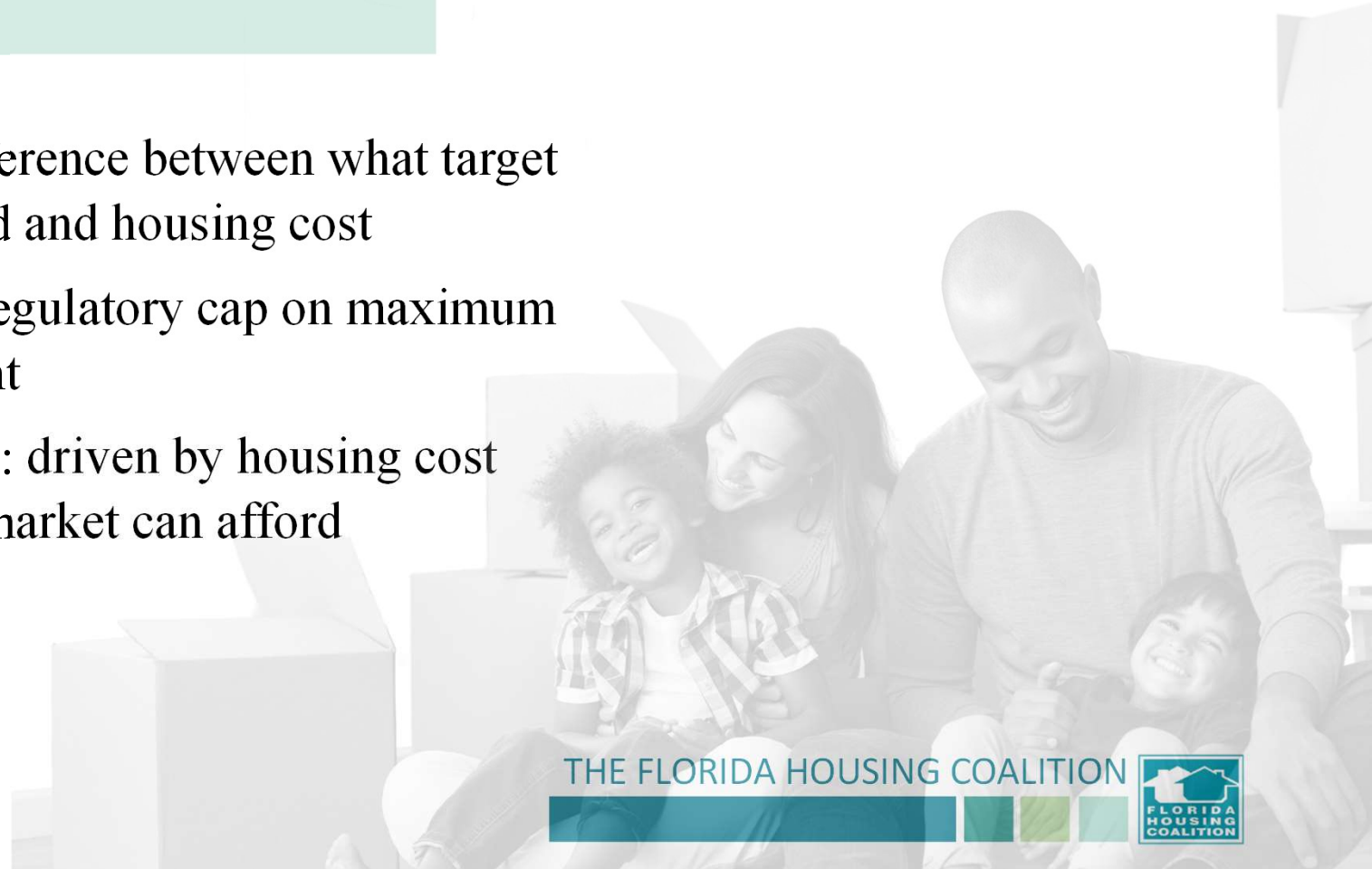
Homes may not exceed Maximum Purchase Price established in the Local Housing Assistance Plan as determined by purchase contract.

Rev. Proc. 2022-21	
County	SHIP Limit*
Baker	\$ 359,263.80
Broward	\$ 382,194.90
Clay	\$ 359,263.80
Collier	\$ 458,634.60
Duval	\$ 359,263.80
Martin	\$ 358,308.00
Miami-Dade	\$ 382,194.90
Monroe	\$ 590,491.80
Nassau	\$ 359,263.80
Okaloosa	\$ 448,124.40
Palm Beach	\$ 382,194.90
St. Johns	\$ 359,263.80
St. Lucie	\$ 358,308.00
Walton	\$ 448,124.40
All Other Areas	\$ 349,525.80

*90 percent of the IRS Limit

How Much Purchase Assistance?

- Assistance = difference between what target market can afford and housing cost
- No statutory or regulatory cap on maximum assistance amount
- Maximum award: driven by housing cost and what target market can afford



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Many Ways to Administer a Purchase Assistance Program



- Local government responsible for intake, counseling, program administration
- Contract out pre/post purchase education
- Select one nonprofit subrecipient to fully implement purchase strategy
- Working with lenders/realtors

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.



Sample Terms for Purchase Assistance

1. **Loan/Grant:** Funds will be awarded as a deferred subordinate loan secured by a recorded mortgage and note.
2. **Interest Rate:** 0%
3. **Term:** 10 years
4. **Forgiveness:** Funds will be forgiven on a prorated basis so that 10% of the principal is forgiven annually.
5. **Repayment:** No repayment of the assistance is required as long as the loan is in good standing.
6. **Default:** The loan will be determined to be in default if any of the following occurs: sale, transfer, or conveyance of property; conversion to a rental property; loss of homestead exemption status; or failure to occupy the home as primary residence. If any of these occur, the outstanding balance will be due and payable.

* Consider provisions for refinancing in support of long-term affordability.

Best Practices For Success

Homebuyer Counseling
Impact of Market Conditions
Inspections
Buyer Contribution
Strategic Partners
Leverage Your Program
Program Evaluation



SHIP Office Makes Housing Counseling Decisions

- 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 provides the Counseling

Positive Outcomes of Homebuyer Counseling


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

Educating the Homebuyer for Success



- Pre-Purchase Topics:
 - Qualifying Process
 - Purchase Process
 - Financial Management
 - Credit Repair
 - Loan Products
 - Parties Involved
- Post-Purchase Topics:
 - Home Maintenance
 - Homestead Exemption
 - Escrow Shortages (minimum balance)
 - Shopping for Services
 - Estate Planning

Market Considerations in Policymaking

- 
- Higher interest rates
 - Decreased inspection period
 - Multiple offer situations
 - Higher escrow deposits
 - No seller concessions
 - Validity of comps
 - Limited seller repairs
 - Appraisal gaps

Home Inspections and Repairs

- Buyer or SHIP may pay for inspection.
 - If requiring buyer contribution, have buyer pay.
- Licensed home inspector or SHIP staff may perform inspection.
 - Avoid duplication of efforts
 - Consider having SHIP staff inspect any seller repairs
- Ensure buyer gets a 4-point inspection with wind mitigation.
 - Encourage water and septic tests even if lender does not require.



Home Inspections and Repairs (cont.)

- New construction within 12 months meets 75% construction set aside
- Repairs when purchasing existing homes - *Repairs performed by others (seller, buyer) 12 months before or after purchase count towards set asides if repairs are properly documented.*
 - Repair included in SHIP Strategy
 - SHIP leveraged with donated materials, volunteer labor, or other financial subsidies

Consider Flexible Options for Buyer Contribution



Goal: Make homeownership affordable, achievable, and sustainable.

- Consider all out-of-pocket costs as buyer contributions:
 - Escrow Funds
 - Home Inspection Costs
 - Appraisal Costs
 - Credit Report Fees
 - Origination/Application Fees
- If fees don't reach contribution requirements, consider discount points instead of cash to close.

Create Strategic Partnerships

- Develop and nurture relationships with reliable housing partners including Realtors, lenders, title companies, inspect.
 - 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 housing partners in industry publications



Create Strategic Partnerships (cont.)

- Develop guidelines in conjunction with housing partners
- Offer SHIP “certification” classes housing partners
- Hold a SHIP roundtable and invite housing partners
- Provide incentives to collaborate:
 - Referrals
 - Advertising

Leveraging Your Program

- Homebuyer's Club
 - Design a community-wide education effort in the form of a homebuyer's club.
 - Having membership process can provide benefits including:
 - Access to learning curriculum
 - Access to counselors
 - Peer interaction
 - Wait-list priority

Leveraging Your Program (cont.)

- Community Land Trust
 - The vehicle of separating ownership of the land from the building
 - The nonprofit holds title to the land and administers a ground 99-year lease
 - Can only be sold to other income-eligible homebuyers at an affordable price
 - Benefits include:
 - creation of permanent affordable housing
 - Reduces subsidy needed to serve the same number of households
 - The homebuyer is provided stewardship to sustain homeownership

Support Long-Term 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 discount points and/or home warranty as closing costs.
- Providing the full amount of assistance allowed can help maintain affordability after closing:
 - It is typical for taxes and homeowner's insurance to increase in the second year resulting in escrow shortages.
- Inform the buyer about the homesteading process and requirements.

Evaluate Your Program



- Re-evaluate your program design:
 - Eliminate or lessen restrictive policy
 - Writing on “AS IS” contracts
 - Requiring additional inspections
 - Underwriting the underwriter
 - Allow for e-sign or e-docs
 - Use mobile notaries, if needed
- Amend your LHAP, if needed, to address current market conditions.
 - Adjust subsidy amounts and eligibility requirements based on market assessment.

Local Government Perspective

Bay County
Purchase Assistance Program
Rehouse Bay



Hurricane Housing Recovery Program (HHRP) -Grant History

Hurricane Michael made landfall in Bay County as a Category 5 on October 10, 2018.

- 20,000+ residents were displaced
- 60,563 (77%) County buildings were damaged
- 7,692 residential structures sustained catastrophic damage

Bay County was awarded two Hurricane Housing Recovery Program (HHRP) Grants following Hurricane Michael through the Florida Housing Finance Corporation.

- **HHRP 1 - \$28,228,200**
 - **HHRP 2 - \$8,685,605**
- Total Award = \$36,913,805**



HHRP Grant History (cont.)

Bay County created a Housing Division in July 2021 to oversee the administration of the HHRP funding.

- A Program Manager was hired in September 2021
- A Housing Program Assistant and Housing Services Technician were hired June 2022

Case managers processed over 300 purchase assistance applications the first year.

First-Time Homebuyer's Education classes were taught monthly by the Bay County Extension Center UF/IFAS in Partnership with Washington and Holmes County using an electronic classroom format.

- 400+ Bay County residents have received Homebuyer's Education training and credit counseling.



Purchase Assistance Program Design

The LHAP was revised to support the unprecedented awarded amount and need to rehouse our residents affordably.

- Revised to serve clients **81% up to 140% AMI**.
 - Example – Family of Four (4) maximum income allowable \$105,140
 - Maximum Down-payment assistance award - **\$50,000**
- Revised to increase maximum award amount for clients **80% AMI and under**.
 - Maximum Down-payment assistance award - **\$75,000**



Purchase Assistance Program Design (cont.)

Loan Terms were revised –

- Loan terms were adjusted from 30 years to **15 years**
- Forgiveness was prorated at **10% beginning on year 6**

2022 Bay County Income Limits

County (Metro)	Percentage Category	Income Limit by Number of Persons in Household									
		1	2	3	4	5	6	7	8	9	10
Bay County (Panama City MSA; Panama City-Lynn Haven-Panama Median: 78,100	30%	15,800	18,310	23,030	27,750	32,470	37,190	41,910	46,630	Refer to HUD	
	50%	26,300	30,050	33,800	37,550	40,600	43,600	46,600	49,600	52,570	55,574
	80%	42,100	48,100	54,100	60,100	64,950	69,750	74,550	79,350	84,112	88,918
	120%	63,120	72,120	81,120	90,120	97,440	104,640	111,840	119,040	126,168	133,378
	140%	73,640	84,140	94,640	105,140	113,680	122,080	130,480	138,880	147,196	155,607



Homebuyer Eligibility

To qualify for Purchase Assistance, homebuyers must meet the following criteria:

- **First-time homebuyer**
 - Includes homebuyers who have not owned a home within the last 3 years.
- **Homebuyer Education**
 - Applicants must complete a HUD-certified homebuyer education course **prior to** closing on a home. Bay County recognized certificates within three years of completion.
- **Mortgage Pre-Approval**
 - **Prior to** submitting an application, homebuyers must be pre-approved by a first mortgage lender. Pre-approval Letter must be submitted with application.
- **Marital Status**
 - Single, married, or legally divorced homebuyers are eligible. **Separated clients will need both clients on the application.**

Calculating Income

Income that is included:

- Employment income
- Social Security/Disability
- Unemployment benefits
- Retirement/pension
- Child support
- Self-employed income and, Other income.
- Bay County takes into consideration the seasonality of many employers when income certifying residents.

Income that is excluded:

- Employment income (children under 18)
- Income of a live-in aide
- SNAP/TANF Benefits
- Income in excess of \$480 for full-time students (18 and older)

Award Letter

- Once an applicant has been deemed eligible for participation, an Award Letter is issued signaling their eligibility.
- **Remains active for 60 days.**
- Applicants must locate a home and enter into a sales contract within this timeframe.
 - 60-day extension may be granted on a case-by-case basis.
 - Clients can receive up to three 60-day extensions, if not under contract during this time, an Ineligible letter is issued. The funds are no longer encumbered and a client is pulled from the waitlist.
- **Instances of three extensions can be due to –**
 - Being under contract to purchase a new construction single-family or manufactured home or canceling a contract.

Award Letter (cont.)

- Identifies documents due to Bay County prior to closing.
 - Closing cannot occur unless these documents are submitted 10 business days prior to closing.



Bay County Purchase Assistance Program Extension Award Letter

January 27, 2023

Bay County EIN: 59-6000512

RE: SHIP/HHRP Purchase Assistance Program

Dear Jane,

This letter serves as a formal extension to the Award letter dated November 28, 2022. With this extension, you will have 60-days to complete your home purchase. If you cannot complete your home purchase within the 60-day extension time, you will need to reach out to the Housing Program staff and provide justification for a FINAL extension of 30-days.

After careful review and verification, County Staff has determined that your household income meets the 120% limit of Area Median Income (AMI) criteria established by the Department of Housing and Urban Development (HUD) and the Florida Housing Finance Corporation (FHFC) for Bay County and, therefore, your household is qualified for the program.

This letter is to notify you that your application has been approved and you are eligible for purchase assistance in the amount of \$50,000. Funds will be held for you for a maximum of 60 days, at which time, this letter will expire. Please notify our office if you have difficulty locating a home or will not close prior to this expiration date.

You may begin searching for a home within your affordable price range. Once you are established with a realtor and lender, please provide them with a copy of this letter.

Please provide the below listed documents and reports to our office as soon as they become available. All the below listed documents must be provided to our office 10 business days prior to closing:

- Purchase contract
- CD Settlement Statement
- Signed first mortgage loan application (Form 1003)
- Underwriting & Transmittal Summary
- First mortgage loan commitment/Approval letter
- Homebuyer's Education class certificate
- Home inspection report(s) including: full inspection, summary report, 4-point and wind mitigation reports (required for new construction homes)

Award Letter (cont.)

- Wood Destroying Organism (WDO) Report (not required for new construction homes)
- Lead-Based Paint Test (for homes built 1978 or earlier), If positive for lead-based paint, contact our office for further information
- Appraisal by a licensed certified appraiser (appraised value must meet or exceed home purchase price)
- Survey by a licensed certified surveyor
- Title commitment (Bay County BOCC, 840 W.11th Street, Panama City, FL 32401, must be listed on Schedule A of the policy)
- Homeowner's Hazard and Flood Insurance Policy, if applicable (Bay County must be listed as written as above)
- Closing Agent information; contact person, wiring instructions and W9
- Certificate of Occupancy for new construction homes

The SHIP/HHRP assistance provided to you will be a loan, secured by a mortgage and note in second position (third position to FHFC loans) recorded in Bay County with the Clerk of Court. The loan is non-interest bearing, deferred for 15 years as long as you live in the home, and is reduced at a rate of 10% per year beginning in year (6). If the property is no longer your primary homesteaded residence or if you no longer own the home before the end of the 15-year period, the pro-rated amount of assistance awarded to you must be repaid to Bay County.

Should you require further assistance or have any questions regarding this matter, please contact Tammy Harris at 850-215-2479 or email at tharris@baycountyfl.gov.

Sincerely,



Tammy Harris
Housing Program Manager



Eligible Properties

Properties purchased with SHIP/HHRP Funding must meet the following criteria:

- Purchase price = at or below **\$349,525**
- Must be purchased at or below the current appraised value.
- Must be one of the following structure types:
 - Single family
 - Townhome
 - Condominium
 - One side of a duplex which will be owner-occupied as a primary residence
 - Manufactured homes built after **June 1994**. If a MH older than 1994 was completely destroyed our program will assist with a replacement MH.



Eligible Properties (cont.)

- Must be in **good** condition and meet local property standards prior to occupancy.
 - Must be insurable.
 - No major structural deficiencies.
 - No open permits and/or unpermitted structures/work.
 - Must be entirely used for residential purposes and be properly zoned.



If in doubt, ask yourself:
Would you live there?



Ineligible Properties

Unpermitted structures/work. If permits are not on file for below items and the MLS Listings state all these items were replaced after Hurricane Michael, we require the seller to provide our office with the permits.

- Roofs, Electrical, Plumbing, Large renovations, HVAC's, Windows, Water heaters
- Inground swimming pools

Bay County's GOAL is to not cost burden our low-income clients in the future with unpermitted/unwarranted repairs and high homeowners insurance costs.



Ineligible Properties (cont.)

Homes with Solar Panels

- 99% of the homes in Bay County that now have solar panels that were purchased and installed after Hurricane Michael.
- Average SP lien can be between \$30,000 and \$50,000 for the next 30-years. Our clients would have to assume this lien at closing.
- Example - A home is purchased for \$200,000, our DPA is \$50,000 the client is financing a new home for \$150,000. At closing the client assumes a SP lien for \$50,000, financing a total of \$200,000, with an additional cost burden.

Solution

- The seller pays-off the Solar Panel lien at closing.



Ineligible Properties (cont.)

Non-Arms-length Transactions

- Client Purchases a home while waiting to be determined income-eligible. Once receiving the Award Letter inquires about using the award to re-finance or to buy down the principal.
- A family owned business, Corporation or LLC purchases a home for a family member awaiting an Award Letter. The home goes under contract for \$50,000/\$75,000 more than they paid for it.
- A direct family member transaction, where one member has received an Award Letter. Either For Sale By Owner or family member is also the owner/realtor making commission and selling the home to family member for more than they paid, increasing price the Award Letter amount +.

Solution

- If our client is determined a First-Time Homebuyer and had nothing to gain from the transaction financially, the family member can sell the home to them for the exact price they paid, therefore our DPA goes towards the home purchase and not as profit for the family member.

Eligible Assistance

SHIP/HHRP funding can be used for the following:

- **Down payment and/or closing costs**
 - Should be used to meet the 20% down payment requirement to avoid mortgage insurance on conventional loans, if possible.
 - Award can be allocated as required by first mortgage lender.
- **Inspections**
 - ReHouse Bay's down-payment assistance will pay for one home inspection not to exceed \$500, and one re-inspection not to exceed \$75. The DPA can also pay for homeowner's insurance, survey and appraisal. The vendors must be paid at closing, our clients cannot be reimbursed for these expenses or receive cash back at closing.
- **Partners Include**
 - 52 Lenders, 35 Home, Septic & Foundation Inspectors and 20 Title Agencies

SHIP/HHRP Loan

- Forgivable loan secured by a mortgage and note.
- Non-interest bearing.
- 10% of the loan forgiven each year beginning in year 6.
- 100% forgiveness after 15 years.
 - Must maintain ownership.
 - Must be owner-occupied.
 - Must be the applicant's primary residence (Homestead).
- Pro-rated balance due to Bay County if the home is sold, rented, or is no longer the applicant's primary residence before 15 years.
- SHIP/HHRP Mortgage is exempt from intangible tax.
 - Not exempt from documentary stamp costs.

Selling a SHIP/HHRP Assisted Home

- Applicants **are** permitted to sell their homes before the end of the loan term.
- Contact Bay County to obtain a loan payoff.
- Once the SHIP/HHRP payoff amount is paid, Bay County will issue and record a satisfaction of mortgage.
- **Refinancing is allowed; however, cash back is prohibited.**

Progress To-Date (Since January 2022)

- **221** – Award Letters have been issued - **172** closings completed (49 Award Letters Searching)
 - Approximately \$16,000,000 expended on Purchase Assistance.
 - Average home purchase price: \$212,000
 - Purchase Assistance – All funds expended/encumbered
- **Other Programs Available**
 - Replacement Homes
 - Impact Fee Assistance
 - Foreclosure Assistance
 - Owner-Occupied Rehabilitation – Program launches this month
 - Emergency Repair - Program launches this month
 - Multi-Family Development
 - Non-Profit Rental Rehab (Group Homes)
 - Rental, Deposit & Utility – All funds are expended

Progress To-Date (Since January 2022, cont.)

Three Rental Developments proposed at \$2M each (\$6,000,000)

Fletcher Black I:

Total cost for development - \$24M

100 affordable units – serving extremely-low and very-low income residents

Fletcher Black II:

Total cost for development - \$15M

64 affordable units – serving extremely-low, and very-low income residents

Bid-a-Wee:

Total cost for development - \$50M

144 affordable units – serving extremely-low, very-low and low-income residents

Total new 2 & 3 BR units = 308



Progress To-Date (Since January 2022, cont.)

Total HHRP Expenditures/Encumbrances YTD all Housing Programs

- **\$29,355,000**

Remaining funds to be expended by 2025

- **\$7,558,805**

All Set-asides have been met.

Our Goal is to close this grant by June 2024



Questions?



Please Complete the SHIP Survey





Looking for Trainings?

Visit Our Calendar of Trainings

Technical Assistance is Available

Available Daily: **1 (800) 677-4548**

Options for Further Assistance Include:

- ❖ Phone and Email consultation
- ❖ Site Visits

Register at www.flhousing.org for:

- ❖ Workshops
- ❖ Webinars

Thank YOU!



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