

Assisting Very Low-Income Homebuyers

sponsored by
Florida Housing Finance Corporation's
Catalyst Program
Michael Chaney



Overview

- Key concepts for SHIP Purchase Assistance
- Purchase examples for buyers with a variety of incomes
- Guidance from the Lender
- Local Government Policies
- Benefits of a Community Land Trust Home
- Habitat for Humanity



Key SHIP Concepts

Eligible Housing

- SHIP Statutory Definition: “**Real and personal property... intended for the primary purpose of providing... residential units**”
- New construction or Existing homes
- Townhome, Condo, Modular Home built to FL Building Code, Mobile Home after 1994



Maximum Purchase Price

County	90% Average Area Purchase Price
BAKER	303,882
BROWARD	317,647
CLAY	303,882
COLLIER	415,058
DUVAL	303,882
LAKE	255,176
MANATEE	264,706
MARTIN	291,176
MIAMI-DADE	317,647
MONROE	487,058
NASSAU	303,882
OKALOOSA	314,471
ORANGE	255,176
OSCEOLA	255,176
PALM BEACH	317,647
SARASOTA	264,706
SEMINOLE	255,176
ST. JOHNS	303,882
ST. LUCIE	291,176
SUMTER	264,706
WALTON	314,471
All other areas (floor):	253,809
IRS Rev. Proclamation 2017-27	

Homes may not exceed Maximum Purchase Price established in Local Housing Assistance Plan

Link to most updated maximums:

<https://floridahousing.org/programs/special-programs/ship---state-housing-initiatives-partnership-program/purchase-price-limits>

Handouts



Types of SHIP Purchase Assistance

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

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

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

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



Very Low Income (VLI) Purchase Example

**\$120,000 Purchase Price
and Closing Costs**

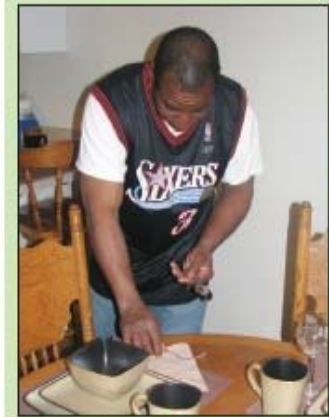
Sources to pay for this house

\$80,000 First Mortgage
(monthly payment \$655)
\$10,000 SHIP Purchase Assistance
\$10,000 HOME Purchase Assistance
\$4500 Individual Development Account
\$15,000 Family contribution
\$500 Church contribution



Home Buyer Exam

Bradford County



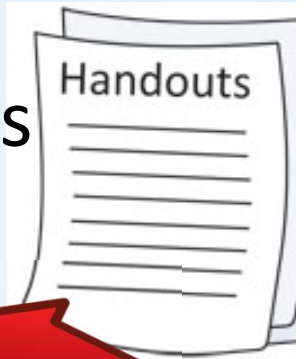
In 2011, Martin, a beautiful bedroom on an acre in Florida. The cost of SHIP payment helped jump the cost to buying. Each month able to afford the \$448 home mortgage with SSI and a week janitor.

Anthony loves living out in the country, his lawn, planted some flowers and inside immaculately clean. In his first home, he has paid to install a storage to replace a refrigerator and washing

COALITION

Definition of Affordable

- 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**



How Much Purchase Assistance?

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



Decide What to Provide

Case Studies of a Variety of Buyers



- \$155,000 home in Orange County
- Moderate Income: only needs closing costs
- Low Income: Some need principal reduction
- Very Low Income: \$71,700 of principal reduction

Challenges for Some VLI Buyers

- Qualify for limited 1st Mortgage financing
- Cash poor
- Lack the knowledge of purchase process
- No credit or poor credit



The Lender Perspective

- Lender's role with assisting VLI Buyers
- It takes longer to assemble mortgage applications for some VLI buyers. Why should a lender be interested?
- How can local government buyer programs work best with Lender's products?



Local Government: Boca Raton's Success with Assisting VLI Buyers

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Our Approach

- It's a partnership. We are part of a team that has to be on the same page – buyers, sellers, lenders, realtors, title agents and the City.
- Be proactive; communicate; provide as much information as possible.
- Our role is to guide the homebuyer through the process and to serve as the liaison for all partners.
- The purpose of the program is not just to meet SHIP encumbrance and expenditure deadlines. It's about helping people achieve affordable homeownership.



Program Overview

- Accept applications on ongoing basis, use a waiting list system. Ongoing outreach to lenders, realtors, housing authorities, other local governments and nonprofit agencies to help meet set-aside requirements.
- High cost area, affordable unit type is condominium. Assist all income categories; subsidy range is **\$25,000 - \$95,000**, based on need.



More Program Overview

- Applicants need \$2,500 in verified accounts for the last three months, to confirm buyer minimum contribution of 1% and to ensure buyers have actual savings.
- Funds are leveraged with first mortgages provided by a lender. Maximum ratios of 35% and 45%; additional lender funds for closing costs.
- Usually SHIP funds comprise less than 50% of mortgage financing. However, to ensure affordability for VLI applicants, the City may provide the majority of financing – sometimes up to 70% of the purchase price.



Our Purchase Assistance Process

- Applicants complete a homebuyer class, obtain first mortgage pre-approval, submit complete SHIP application.
- City file review and third party verifications.
- SHIP Income Certification (with 30 days to provide loan documentation).
- Obtain and review full loan documents (1003,1008/loan estimate); loan types/lender options.
- If satisfactory, SHIP approval letter is issued and funds are encumbered for the applicant for 60 days; approval includes affordability information (maximum price/payment information and loan estimate).
- Coordinate with realtors and buyers during property search to ensure property is eligible and contract execution/extensions (if needed).



Our Purchase Assistance Process

- Lender appraisal and underwriting/property review process; buyer home inspection; coordinate with title company regarding closing requirements.
- Lender and City final review; prepare for closing; buyer final walk-through; City closes SHIP loan; title company closes first mortgage.
- Rehab work completed. Requires homeowner to obtain three written estimates for all items over \$250, obtain proof of contractor license, insurance and permits, and to review/approve work completed prior to paying contractor before requesting SHIP reimbursement.
- Scope of ongoing home maintenance is narrowed by HOA responsibility and HOA fees are included in the affordability calculation.



Post Purchase Protections

- On an annual basis, we review public records to confirm ownership, occupancy/homestead exemption and status of property.
- City mortgage and note include a clause restricting further encumbrances on the property without City prior approval.
- City has a loan subordination policy that establishes the criteria for subordination for refinances to help ensure continued affordability.
- Ongoing availability for SHIP homeowners for questions related to property ownership including property taxes, insurance, first mortgage matters, property maintenance, refinancing or sale of property.



Questions & Answers



Benefits of a Community Land Trust (CLT) Home

Anthony Jones, CEO & President

Bright Community Trust

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- A nonprofit owns the land and leases the house subject to restrictions that keep it affordable in perpetuity
- Homebuyers purchase the house and have the right to use the land by virtue of a 99 year lease agreement



Community Land Trust Homeownership

- How does it benefit VLI buyers?
- What upfront preparation helps VLI buyers achieve CLT homeownership success?



Habitat for Humanity

George Rusaw, President and CEO
Habitat of Citrus County

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Habitat for Humanity

- What portion of Habitat buyers are VLI?
- What resources do you leverage with SHIP?
 - Donated labor
 - Donated or reduced price supplies
 - Donated land
 - Sweat equity
- What housing counseling do VLI households require?



Habitat
for Humanity®



Leveraging of Subsidy in Southern Pines Village

- PLP
- SHOP (Resource for Habitat affiliates)
- SHIP
- Federal Home Loan Bank of Atlanta Affordable Housing Program (AHP)



Habitat for Humanity

Several sources finance a home purchase.
Buyer's payment is \$379 monthly.

Sales Price (appraise value)		\$114,000
HFHCC	1 st Mortgage	\$ 67,084
FHFC (HOP)	2 nd Mortgage	\$ 25,000
FHLB (AHP)	3 rd Mortgage	\$ 9,500
FHFC (SHIP)	4 th Lien	\$ 10,000
C.C. Deferred Impact Fees	5 th lien	<u>\$ 2,416</u>
Total Financing Provided		\$114,000

HFHCC receives \$44,500 cash at closing from (HOP), (AHP) & (SHIP). This represents approx. 52% recovery of actual cost.



Habitat
for Humanity®



Questions & Answers

