

# THE FLORIDA HOUSING COALITION



## Homeowner Financing and Leveraging Strategies

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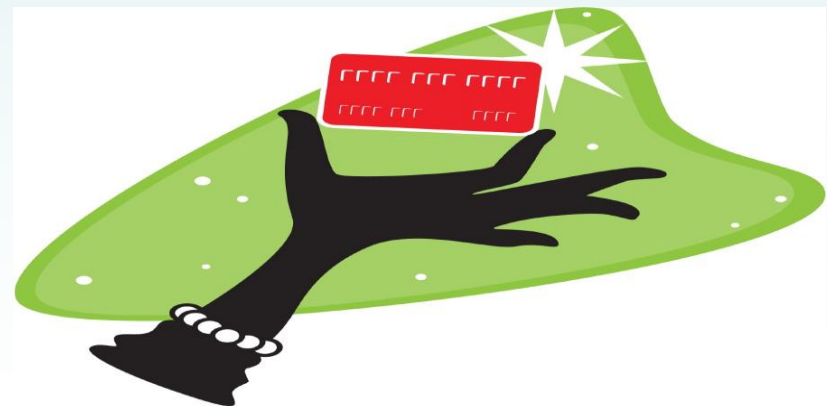


# GOAL – Sell Your NSP Homes!!



# Credit

- Credit scores
- Alternative credit
- Judgments, liens, bankruptcies, collections
- Develop relationships with HUD approved credit counseling agencies



# Compensating factors

- New mortgage payment is less than rent
- Buyer still has \$\$ left after closing
- Employment history- stable, long term
- Buyer putting in own \$\$
- Loan To Value – LTV
  - Loan amt/appraised value



# Lenders

- Lender Education
- Pool of select lenders
- Community Banks
- FHA/Conventional/Portfolio
- Personal connection
- Get loan docs approved



# Homebuyer Education

- Start early
- Involve lenders
- Involve credit counselors



# Increase your potential buyer pool

- Marketing
  - Website
  - MLS
  - Press releases/radio
  - Open houses
- Outreach
  - Churches, schools, businesses, local government staff, community groups
- First time buyers only?



# Florida Housing Finance Corp Bond Loans

- [www.floridahousing.org](http://www.floridahousing.org)
- 620 minimum FICO
- First time buyer
  - Except veterans and Federally designated target areas
- Rates 4.25 – 5.00%
- 30 year fixed
- Down payment assistance available
  - Florida Assist \$7500 (100% AMI)
  - HAMI (payback @ 5%) \$5000 (over 140% AMI)





# NSP Financing

- NSP can fund the first mortgage
- Need underwriting guidelines
- Staff experience (“bank income” vs “NSP income”)
- Servicing considerations



# Florida NeighborWorks Fund

- Housing Partnership of WPB + Neighborhood Housing Services of SF
- Subscription Pool
- 580 minimum score
- 2yrs same line of work
- Full or alternate documentation
- Rental history – no 30 day lates for last 2 yrs
- Miami Dade/Broward/Palm Beach
- Sign up for more info



# Subsidy layering

- NSP
- SHIP
- HOME
- CDBG
- Program Subsidy limits
  - Example \$75k max per buyer
  - Amount buyer needs for 31% front end ratio
  - Both of the above – whichever is less



# Example- Acq/ rehab/ resale

- Total Development Cost \$260k
- After rehab appraisal \$250k
- 1<sup>st</sup> mortgage \$45,000
- Buyer Down Payment \$8750
- Subsidy needed \$196,250



# Affordability periods

- Follow HOME or more restrictive
- Recapture vs Resale
- Grant vs Forgivable incrementally vs payback vs deferred then payback
- Mortgage/note/declaration of restrictive covenants



# Recapture/ Resale

- NSP Grantee must select the compliance requirement UPFRONT for each Homebuyer during the period of affordability, either:
- Recapture (“sell to anyone, but pay back the subsidy”) or
- Resale (“sell to low-income buyer, at affordable price”)
- NSP Grantee cannot mix Recapture and Resale- must choose one or the other
- Pros & cons?



# HOME Affordability Periods

## Homebuyer and Rental

<b>\$ HOME Investment per unit</b>	<b>Minimum affordability period</b>
Less than \$15 K	5 years
\$15 k to \$40k	10 years
Over \$40 k	15 years
New Construction Rental	20 years
Refinance Rental	15 years



# Recapture example

- Total Development Costs– TDC \$120,000
- After rehab appraisal \$ 90,000
- NSP left in deal as soft second \$10,000
- First Mortgage \$80,000
- Closing cost Assistance \$ 1,600
  
- How much is subject to recapture?
- What is the minimum compliance period?





# Recapture Example

- Buyer finds house- sales price \$80,000
- NSP Purchase assistance \$10,000
- First Mortgage \$65,000
- Buyer cash down payment \$ 5,000
- NSP rehab \$50,000
- Amount subject to recapture?
- Minimum Compliance Period?



# Resale example

- Local gov't acquires/renovates/resells
- TDC (all NSP) \$120,000
- After rehab appraisal \$ 90,000
- NSP purchase assistance \$ 10,000
- First Mortgage \$ 80,000
- NSP closing cost assistance \$ 1,600
- What amount is used to calculate affordability period ?
- What is minimum affordability period?



# Plan B

- Lease Purchase
- Rental
- How long do you wait?



