


Assisting Very Low-Income Homebuyers


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



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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



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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




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Maximum Purchase Price

County	95% Average Area Purchase Price
BAKER	\$63,892
BROWARD	\$17,647
CLAY	\$63,892
COLLIER	\$15,098
DADE	\$63,892
FLORIDA	\$53,176
MANATEE	\$64,706
MARTIN	\$53,176
MARLBOROUGH	\$17,647
MORRIS	\$63,892
NASSAU	\$63,892
OKLAHOMA	\$18,473
ORANGE	\$53,176
OSCEOLA	\$20,176
PALM BEACH	\$17,647
SARASOTA	\$64,706
SEMIWOLE	\$53,176
ST. JOHNS	\$63,892
ST. LUCIE	\$20,176
SUMMIT	\$64,706
TALLEN	\$18,473
All other areas (floor)	\$53,800

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

Link to most updated maximums:
<http://floridahousing.org/programs/special-our-ship-state-housing-initiative>
[gap-to-ship-program/purchase-price-limits](http://floridahousing.org/programs/special-our-ship-state-housing-initiative/gap-to-ship-program/purchase-price-limits)


Handouts



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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




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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



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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"

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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

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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

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Challenges for Some VLI Buyers


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



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Guidance from the Lender


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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?



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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.



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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.



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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.



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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).



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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.



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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.



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Questions & Answers



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Benefits of a Community Land Trust (CLT) Home

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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



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Community Land Trust Homeownership


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



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Habitat for Humanity


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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?



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Leveraging of Subsidy in Southern Pines Village

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





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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	
FHLS (AHP) 3 rd Mortgage	\$ 9,500	
FHFC (SHIP) 4 th Lien	\$ 10,000	
C.C. Deferred Impact Fees 5 th lien	\$ 2,416	
Total Financing Provided	\$114,000	

HFHCC receives \$44,800 cash at closing from (HOP), (AHP) & (SHIP). This represents approx. 52% recovery of actual cost.

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