Involving Realtors and Lenders in the Purchase Assistance Process

sponsored by Florida Housing Finance Corporation’s Catalyst Program
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Our Thanks to the Florida Housing Catalyst Program
sponsored by the Florida Housing Finance Corporation

Florida Housing Coalition www.flhousing.org

The Florida Housing Coalition, Inc., is a nonprofit, statewide membership organization whose mission is to bring together housing advocates and resources so that all Floridians have a quality affordable home and suitable living environment.

The Coalition provides professional consultation services through training and technical assistance on affordable housing and related issues; supports community-based partnerships in leveraging resources; and advocates for policies, programs and use of funding resources that maximize the availability and improve the quality of affordable housing in Florida.

Catalyst Trainings www.flhousing.org

What is SHIP?

• State Housing Initiatives Partnership Program
• Passed under the Sadowski Act in 1992
• Funded through documentary tax collections
• Contact legislators to request full funding of the trust fund
• Market program success stories to create awareness of the program and gain support

Hotline: 1-800-677-4548 www.flhousing.org
Who's in charge?

• Florida Housing Finance Corporation
• SHIP distributed to 67 counties and 52 CDBG entitlement cities
• SHIP is governed by rule 67-37 and Florida Statute 420.907

SHIP Statute 420.9072 1(a)

The Legislature further intends that local governments achieve this combination of resources by encouraging active partnerships between government, lenders, builders and developers, real estate professionals, advocates for low-income persons, and community groups to produce affordable housing and provide related services.

Goal: Create Local Partnerships

Overview of Resources

www.floridahousing.org

• Local Housing Assistance Plan
• SHIP Statute and Rule
• SHIP Program Manual
• Income Limits Chart/Value limits
• Local Government Contacts

Local Government Contact Information and LHAP

https://www.floridahousing.org/programs/special-programs/ship---state-housing-initiatives-partnership-program/local-government-information

Local Housing Assistance Plan

• 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 provide input on the plan during the comment period

Every Plan is Different

How much funding?

Based on doc stamp collections and appropriations by legislature

Notice of Funding Availability

- Advertise in a newspaper of general circulation and periodicals serving ethnic and diverse neighborhoods
- At least 30 days before beginning application period.
- If funding unavailable due to a waiting list, no NOFA required.

**SHIP fiscal year begins July 1**

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

Local governments have 120 days from the first to the last verification to income qualify the applicant and issue an award letter.

They look at income and assets. They project income for the next 12 months by annualizing current circumstances.

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Set-Aside Compliance

**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)

Purchase Assistance Strategy

City of Pembroke Pines

$50,000 Very Low
$40,000 Low
$30,000 Moderate
15 year term
0% interest
Purchase Assistance Counseling

- Not required by SHIP rules but encouraged
- Outlined in the LHAP
- May have specific requirements such as:
  - Eight hours
  - HUD approved counselor
  - Certificate not older than 12 months
  - Must be completed by all borrowers
  - Classroom setting

Maximum Purchase Price

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

<table>
<thead>
<tr>
<th>County</th>
<th>90% Average Annual Income</th>
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<tbody>
<tr>
<td>Baker</td>
<td>48,581</td>
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<tr>
<td>Hernando</td>
<td>48,581</td>
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<tr>
<td>Clay</td>
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<tr>
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</tbody>
</table>

Subject to change

Local government may establish a lower value limit

Maximum Value

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 must be dated within 12 months of the date construction is to commence.

Many ways to administer a Purchase Assistance program

- Local government: intake, counseling, program administration
- Contract out pre/post purchase education
- Select one nonprofit to fully implement purchase strategy
- Many nonprofits supply eligible buyers
- Working with lenders/realtors

SHIP Allows a Variety of Recapture Options

- Direct Payment Loans at Various Terms
- Deferred Payment Loans at Various Terms
- Combination Direct/Deferred Payment Loans
- Grants – typically not done for purchase assistance.

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
Types of SHIP Purchase Assistance

- Repairs when purchasing existing homes
- Down Payment, Closing Costs PLUS
  upfront subsidy (fixed or gap financing)
- New construction (LG or Sponsor/Developer)
- Repair included in Strategy
- SHIP leveraged with donated materials,
  volunteer labor, and other financial subsidy
- Later assistance: Home Improvements or
  Foreclosure Prevention

Eligible Housing

- SHIP Statutory Definition of Eligible Housing: "Real and personal property...
  intended for the primary purpose of providing...
  residential units"
- Any New construction or Existing home
- Review LHAP

Eligible Housing: Many Shapes & Sizes

- Townhomes, Condos, Modular Homes (built to FL Building Code), Mobile Homes after 1994
- Sometimes new construction on land owned by the applicant

Buyer Eligibility Varies Among Communities

- Attend class or credit counseling
- No recent foreclosure or bankruptcy
- Up to 140% of median
- Some only assist First Time Homebuyers
  - "Owning no home in the last 3 years"
  - "An individual who is a displaced homemaker
    and has only owned with a spouse"

More Examples of 1st Time Buyer

- "A single parent who only owned with a spouse while married"
- "An applicant displaced as a result of a government entity purchasing their home"
- "One exception is noted: a homeowner is allowed if the property is owned only as a rental asset, not to live in."

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
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.”

Lenders Guidelines: One Method of Addressing Affordability

Define acceptable parameters for terms on 1st mortgage provided to SHIP buyer, like:
• Maximum interest rate
• Maximum amounts for specific fees

Encouraged to involve lenders in creating program guidelines

Lenders Guidelines Examples

• ‘1% Origination maximum’
• ‘No Mortgage Broker Fees’
• ‘No Prepayment Penalty Loans’
• ‘Must be a 30 year fixed rate loan’
• ‘Combined Loan to Value cannot exceed ___%’
• ‘Hazard Insurance Hurricane Deductible of 2%’

Miami-Dade County

Leyani Sosa, Loan Servicing Supervisor
Public Housing and Community Development
701 NW 1st Court, 14th Floor
Miami, FL 33136
Phone: 786-469-2185
Fax: 786-469-2236
leyani@miamidade.gov
Broward County
MILDRED J. REYNOLDS, Housing & Community Development Supervisor
Environmental Protection and Growth Management Department
HOUSING FINANCE AND COMMUNITY REDEVELOPMENT DIVISION
110 NE 3rd St, Suite 300 | Fort Lauderdale, Florida 33301
954.357.4939
mreynolds@Broward.org
Broward.org/Housing

HOME BUYER PROCESS

INCOMING INQUIRIES

STEP 1
REFER TO HUD APPROVED COUNSELING AGENCY FOR 8 HOUR WORKSHOP
RESULT: WORKSHOP CERTIFICATE

STEP 2
REFER TO LENDER FOR PREQUALIFICATION
RESULT: PREQUALIFICATION LETTER

STEP 3
REFER TO LICENSED REALTOR
RESULT: SIGNED REAL ESTATE CONTRACT

HOME BUYER PROCESS

STEP 4
REFER TO INITIAL LENDER WITH EXECUTED REAL ESTATE SALES CONTRACT FOR UNDERWRITING
RESULT = LENDER ISSUES LOAN COMMITMENT

STEP 5
LENDER SUBMITS FULLY DOCUMENTED FILE TO COUNTY FOR (A) LOAN PRODUCT REVIEW AND (B) INCOME QUALIFICATION
RESULT = COUNTY ISSUES AWARDS LETTER

STEP 6
COUNTY COORDINATES CLOSING WITH CLOSING AGENT AND LENDER
RESULT = COUNTY SUBMITS LOAN CLOSING PACKAGE, CHECK OR WIRE FUNDS. CLOSED LOAN

CONTACTS

LOAN PRODUCT REVIEW
SUZANNE WEISS, MANAGER
954.357.4915
SUWEISS@BROWARD.ORG

INCOME QUALIFICATION
RICHARD YEARGIN, HOUSING COORDINATOR
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RYEARGIN@BROWARD.ORG

LOAN CLOSING
MILDRED REYNOLDS, SUPERVISOR
954.357.4939
MREYNOLDS@BROWARD.ORG

Questions
Your Role as Lender Using Purchase Assistance

- What are the benefits?
- Possible roadblocks?
- Loan products
- Agency approved lender list
- Purchase assistance guidelines and qualifying the buyer
- Layering?
- Closing and how long it takes to get there?

Questions

Dawn Williams-Bobo, Broker
7101 W.McNab Rd #201
Tamarac FL 33321
954-580-0447-Office
754-366-1791-Cellular
954-726-5368- Fax
prag@bellsouth.net
Website: www.Pragrealtors.com

Prag Realtors

OUR EXPERIENCE

- Over 10 years of experience working with the program
- Helped hundreds of buyers realize their dream of home ownership utilizing these programs

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Dawn Williams-Bobo
Real Estate Broker/Owner
PRAG Realtors
Tamarac, FL
Cell: 754-366-1791

- 20 years in Real Estate
- Broker of a specialized team of agents focused on the First Time Homebuyer Program
- Trained by Neighborworks® of America
- Work with all subsidy sources: SHIP/HOME/CDBG
- Realtor® partner with many Non-Profits and Municipalities.

Florida Community Bank

Robin Holley
Senior CRA Affordable Housing Specialist
2500 Weston Rd Ste 300
Weston, FL 33331
P: 954.984.3314 C: 954.557.5591
F: 954.861.4589
rholley@fcb1923.com

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HOW THIS PROGRAM HELPS BUYERS

• Can be used to close the gap between their loan amount and the sale price of the home.
• May assist buyers with closing costs.
• To increase the buyer’s purchasing power in the market.

DETERMINING BUYER ELIGIBILITY

• Team effort: Realtor®, Lender, Counselor
• Utilize the Income Chart for a preliminary determination

PROGRAM CHALLENGES

• As market has seen an increase in home prices, the inventory of readily available homes in this price point has been limited.
• Sellers may be less accepting of the program contingencies.
• Ratios are challenging
• Capping of sales price

RECOMMENDATIONS

• Eligibility letter from subsidy sources
• Increase in ratios – aligned with FHA
• Increase sales price or remove if ratios are in alignment with program.

Questions

Beyond SHIP:
More Sources of Buyer Assistance
FHFC Single Family Bond

- First Mortgage plus Down Payment Assistance
- 100% AMI
- First time buyer or purchase in target area
- [www.floridahousing.org](http://www.floridahousing.org)
  - Homebuyers and renters
    - First time homebuyer program
- [http://apps.floridahousing.org/StandAlone/FTHBWizard/FTHBWizardForm2.aspx](http://apps.floridahousing.org/StandAlone/FTHBWizard/FTHBWizardForm2.aspx)

Florida Housing Mortgage Credit Certificate program

- Homeowners receive a dollar-for-dollar tax credit for up to 50% of the mortgage interest paid per year, capped at $2,000 annually.
- First time homebuyers and eligible veterans
- Claim the credit as long as home remains principal residence & mortgage interest paid
- Find lenders per county: [http://apps.floridahousing.org/StandAlone/singleFamilyWizards/Wizard.aspx](http://apps.floridahousing.org/StandAlone/singleFamilyWizards/Wizard.aspx)
- Details at [www.floridahousing.org/MCC](http://www.floridahousing.org/MCC).

Questions?

Technical Assistance Hotline
1-800-677-4548
Andujar@flhousing.org