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

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

Link to most updated maximums:

<table>
<thead>
<tr>
<th>County</th>
<th>90% Average Area Purchase Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>BAKER</td>
<td>303,882</td>
</tr>
<tr>
<td>BROWARD</td>
<td>317,647</td>
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<tr>
<td>CLAY</td>
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<tr>
<td>COLLIER</td>
<td>415,058</td>
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<tr>
<td>DUVAL</td>
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<tr>
<td>LAKE</td>
<td>255,176</td>
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<tr>
<td>MANATEE</td>
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<td>MARTIN</td>
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<tr>
<td>MIAMI-DADE</td>
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<tr>
<td>PALM BEACH</td>
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<tr>
<td>SARASOTA</td>
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<tr>
<td>SEMINOLE</td>
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<td>303,882</td>
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<td>291,176</td>
</tr>
<tr>
<td>SUMTER</td>
<td>264,706</td>
</tr>
<tr>
<td>WALTON</td>
<td>314,471</td>
</tr>
<tr>
<td><strong>All other areas (floor):</strong></td>
<td><strong>253,809</strong></td>
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<tr>
<td><strong>IRS Rev. Proclamation 2017-27</strong></td>
<td></td>
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</table>
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
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 1<sup>st</sup> Mortgage financing
• Cash poor
• Lack the knowledge of purchase process
• No credit or poor credit
Guidance from the Lender

Eneily Oliverasa (NMLS ID: 1652396) and Maria Serravalle,
Bank of America
eneily.oliveras@bankofamerica.com
Maria.Serravalle@bankofamerica.com
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

Teresa McClurg and Tami Tobolski
City of Boca Raton
tmcclurg@ci.boca-raton.fl.us
ttobolski@ci.boca-raton.fl.us
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 refinance 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
anthony@thebrightway.org
• 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
habitatgeorge@gmail.com
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?
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

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>HFHCC 1st Mortgage</td>
<td>$67,084</td>
</tr>
<tr>
<td>FHFC (HOP) 2nd Mortgage</td>
<td>$25,000</td>
</tr>
<tr>
<td>FHLB (AHP) 3rd Mortgage</td>
<td>$9,500</td>
</tr>
<tr>
<td>FHFC (SHIP) 4th Lien</td>
<td>$10,000</td>
</tr>
<tr>
<td>C.C. Deferred Impact Fees 5th lien</td>
<td>$2,416</td>
</tr>
<tr>
<td>Total Financing Provided</td>
<td>$114,000</td>
</tr>
</tbody>
</table>

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