MANAGING A SUCCESSFUL PURCHASE ASSISTANCE PROGRAM

PART 2

Sponsored By:
Florida Housing Finance Corporation Catalyst Program

Presenters:
Aida Andujar, Technical Advisor
andujar@flhousing.org

Carter Burton, Technical Advisor
burton@flhousing.org

Michael Chaney, Technical Advisor
chaney@flhousing.org
OUR THANKS TO THE FLORIDA HOUSING FINANCE CORPORATION CATALYST PROGRAM

AFFORDABLE HOUSING CATALYST PROGRAM

Sponsored by the Florida Housing Finance Corporation

THE FLORIDA HOUSING COALITION
TheCoalitionisFlorida’saffordablehousingtrainingandtechnicalassistanceprovider.

**Hotline: 1-800-677-4548**

[www.flhousing.org](http://www.flhousing.org)
‘Past Catalyst Trainings’
PART 1 RECAP

We Talked About:

- SHIP Requirements
- Types of Purchase Assistance
- Eligible Housing Units
- Buyer Eligibility
- Homebuyer Education
- Program Administration
- Lender Guidelines

We Heard From:

- Homeownership Counselors
- Sub-Recipient Agency

PowerPoint and Handouts Available At:
https://www.flhousing.org/past-ship-trainings/
WEBINAR LOGISTICS

- Participants are muted.
- Enter your questions in the box in your webinar panel.
- Forgot to ask a question or want to ask privately? Email me at andujar@flhousing.org.
- This webinar is being recorded and will be available at www.flhousing.org.
- Download the handouts.
- A survey will immediately follow the webinar; please complete it! Thanks!
OVERVIEW

- SHIP Requirements
- Creating Partnerships
- The Benefits of Counseling
- Program Implementation
- Community Land Trust
- Program Performance
- Questions
SHIP REQUIREMENTS
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 monthly income.

“...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.”
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)

SHIP allows incomes up to 140% AMI
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 and must be dated within 12 months of the date construction is to commence.
LONG TERM PARTNERS
CREATING STRATEGIC PARTNERS

- Develop and nurture relationships with reliable partners;

- Create multiple partnerships;
  - Allows the buyer to have options;

- Benefits of partnering:
  - Supports a more seamless transaction;
  - Promotes collaboration between community businesses.
How to Create Lasting Partnerships

- LG’s can hold meetings with the local board of Realtors to share information on their programs.

- Schedule meetings with the CRA officer at local banks.

- Advertise targeting Realtors and Lenders in industry publications.

- Develop guidelines in conjunction with Counselors, Realtors and Lenders.
CREATING STRATEGIC PARTNERS

- Offer SHIP “certification” classes for Realtors and Lenders.

- Fund housing counseling agencies

- Hold a SHIP roundtable and invite Realtors, Lenders, and Title Companies.

- Provide incentives to collaborate:
  - Referrals;
  - Advertising.
LENA JOHNSON REAL ESTATE, INC.
(954)263-7354
LENAJOHNSONRE@GMAIL.COM
HOMEOWNER COUNSELING
UPCOMING HOUSING COUNSELING WEBINARS

- Offering SHIP Housing Education and Counseling
  March 9, 2020 at 2:00 pm
  https://register.gotowebinar.com/register/3660425242363302145

- Successfully Implementing Counseling Assistance
  March 30, 2020 at 10:00 am
  https://register.gotowebinar.com/register/1798526545538628609
## BENEFITS OF HOUSING COUNSELING

<table>
<thead>
<tr>
<th>Impacts</th>
<th>Beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduced loan delinquency</td>
<td>Borrowers, Lenders, Neighborhoods</td>
</tr>
<tr>
<td>Improved financial health and knowledge</td>
<td>Borrowers</td>
</tr>
<tr>
<td>More efficient transaction</td>
<td>Borrowers, Lenders, Real estate industry professionals</td>
</tr>
</tbody>
</table>
BENEFITS OF PRE-PURCHASE COUNSELING

- There is evidence that pre-purchase counseling reduces the rate of first-time buyer delinquency by 29%.

SOURCE:
Peter Zorn analysis of 38,000 Freddie Mac mortgages, 2000 to 2008.
What is the dollar benefit of this delinquency rate reduction?

$400 per loan

$800 per loan

$1000 per loan
PRE-PURCHASE COUNSELING WORKS

Answer:
Estimated dollar benefit of this reduction is $1,000 per loan.

SOURCE:
Peter Zorn analysis of 38,000 Freddie Mac mortgages, 2000 to 2008.
POST-PURCHASE COUNSELING TOPICS

- Budgeting
- Energy Efficient Home Maintenance
- Preventing a Foreclosure
- Disaster Preparation [https://vimeo.com/351683268](https://vimeo.com/351683268)
- Selecting and Managing Home Improvement Contractors
- Home Warranties and Insurance
- Exterior and Interior Pest Control
- Storm Shutters, Gutters, Drainage Control
SHIP OFFICE MAKES HOUSING COUNSELING DECISIONS

- Housing counseling is not required by SHIP rules but strongly encouraged
- Decide timing of counseling
- How long the certification is good for
- Type of counseling that is acceptable
- Who is required to attend
WHO PROVIDES HOUSING COUNSELING

- Nonprofits
- Some local governments
- County Extension Office
- Some are HUD Approved Counseling Agencies
HUD APPROVED COUNSELING AGENCY

Benefits of working with a HUD approved counseling agency:

- Quality Control

- HUD Application scrutinizes experience, community base, staffing, language skills

- 109 Florida HUD Approved Counseling Agencies

- Find HUD approved counseling agencies: https://www.hud.gov/states/florida/homeownership/hsgcounseling
CERTIFICATION OF INDIVIDUAL HUD COUNSELORS

- Required by Dodd-Frank Act with Final Rule announced December 2016

- All services of a HUD-Approved HCA must be provided by Certified Counselors

- Deadline: August 2020
SIX TOPICS ON THE EXAM

**Financial Management**
1.1 Budget  
1.2 Credit  
1.3 Managing Assets  
1.4 Protecting Assets

**Housing Affordability**
2.1 Renting vs. Buying  
2.2 Affordable Housing Options

**Fair Housing**
3.1 History and Overview  
3.2 Violations and Complaints

**Homeownership**
4.1 Pre-purchase  
4.2 Post-purchase

**Avoiding Foreclosure**
5.1 Avoidance Strategies and Industry Practices  
5.2 Retention Options  
5.3 Disposition Options

**Tenancy**
6.1 Obtaining and Maintaining Tenancy  
6.2 Eviction

THE FLORIDA HOUSING COALITION
Catherine Albamonte
Certified Community Mortgage Specialist

VICE PRESIDENT
BB&T HOME MORTGAGE
1801 N PINE ISLAND ROAD SUITE #100
PLANTATION, FL 33322-5205
TEL: 954 753 7714 | CELL: 954 661 9080
EMAIL: CALBAMONTE@BBANDT.COM
PROGRAM IMPLEMENTATION
PROGRAM ELIGIBILITY VS MORTGAGE ELIGIBILITY

Program 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

Mortgage Eligibility should be determined by Lender:

- Different loan products have different requirements
- The lender will review the income of borrowers and co-borrowers only
- The lender will look at the buyer's past history
- The lender only considers certain forms of income
- The Lender is taking the biggest risk in relation to the loan
LENDER GUIDELINES

- Get buyer approved by the lender first.
- Work with Lenders to determine guidelines
- Address predatory lending

Involve the lenders you work with in creating guidelines
LOAN GUIDELINES

- Align your program requirements to match lending products

Examples:

- FHA: Front end 31% back-end 43%. Back-end ratio can be as higher for borrowers with good credit and other "compensating factors."

- Fannie Mae: Front end 36% back-end 45% for manually written loans. For loans underwritten through Desktop Underwriter the back-end ratio is can be higher.

- VA: 41% back-end ratio
No SHIP statutory or regulatory cap on maximum assistance amount.

- Based on your LHAP maximum award and can include hard and soft cost.

Maximum award should be driven by housing cost and market conditions.

Assistance = what target market can afford and housing cost.
Some Local Governments Require a Minimum Contribution from Buyer

- Example
  - Buyer must contribute 1-3% of purchase price
  - Can count all prepaids towards contribution
  - Allow gifts or require that contributions must be from borrower’s own funds
  - If you set these requirements in the LHAP, you must verify and document this information in the file

*Create realistic guidelines low-income borrowers can comply with*
SUBSIDY LAYERING

- Consider layering different funding sources to leverage program funds
- When layering the strictest rule will always apply
- Keep separate files and record separate mortgages
- SHIP allows flexibility on loan position
INSPECTIONS

➤ Goal is Decent, Safe, and Sanitary Housing

▪ Best Practices

1. Require that the borrower perform an inspection.
2. Check for open permits and illegal structures.
3. Have your inhouse inspector take pictures and identify any additional repairs needed.
4. Pay for emergency repairs after closing.
5. Document repairs made by the buyer or seller.
CLOSING CONSIDERATIONS

- No cash back to borrower at closing.
- Allow co-signer.
- Identify SHIP loan on closing documents.
- Include all soft cost in maximum award.
- Pay both closing cost and gap financing.
Jacquie Mirabal
Title Now LLC

954.662.2616
JACQUIE0818@GMAIL.COM
JACQUIE@TITLENOWFL.COM
COMMUNITY LAND TRUST
WHAT IS A COMMUNITY LAND TRUST

➢ The vehicle of separating ownership of the land from the building

➢ The nonprofit that holds title to the land and administers a ground lease
HOW IT WORKS FOR HOMEOWNERSHIP

- A CLT acquires and retains ownership of land
- The improvements are sold to income eligible households
- Owners have the right to use the land by virtue of a 99-year lease agreement with the CLT (functional equivalent of ownership), requiring them to sell to other income-eligible purchasers at an affordable price
HOW PERMANENT AFFORDABILITY IS ACCOMPLISHED

- Resale restrictions
  - Income eligibility of subsequent buyers
  - Limit on resale price

- Use restrictions (must be primary home)

- Reduced property taxes

- CLT right to repurchase
GROWING INTEREST IN CLTs
KEY BENEFITS OF THE CLT FOR THE PUBLIC

- Permanent stock of affordable housing is created
- Reduces the amount of subsidy needed to serve the same number of households
- A nonprofit is providing stewardship to help the homeowner to be successful
- Reduces the rental crisis by moving renters into CLT homeownership
KEY BENEFITS FOR THE HOMEBUYER

- Price of the home is now more affordable

- Staying in the community without being a renter means:
  - Mortgage payments instead of rent payments
  - Mortgage interest payments are deductible
  - Return of equity upon resale
  - Financial stability—able to save without fear of rent increases or loss of housing
CLT HOMEOWNER RESPONSIBILITIES

- Making monthly lease payment to CLT
- Making monthly mortgage payment to bank
- Paying tax bill for land and improvement (on resale restricted value)
- Making repairs – no landlord to call
- Receiving CLT approval before making certain improvements
- Notifying CLT when they intend to sell.
CLT HOMEOWNER RESPONSIBILITIES

- CLT homebuyer must understand the difference between fee simple and CLT homeownership

- Specifically, understanding what money to expect upon resale

- And that depends on the resale formula

- So…ensure that the CLT homebuyer understands the resale formula that your CLT is using
CLT HOMEBUYER EDUCATION MODULE

- Teacher’s Edition Available Now!
- Supplements general homebuyer education
- Understanding ground lease
- Transitioning to fee simple homeownership
PROGRAM PERFORMANCE
EVALUATING YOUR PROGRAM

 Plan for continued affordability by assessing the housing market regularly.

 Amend your LHAP, if needed, to address current market conditions.
  ▪ Technical Revisions

 Re-evaluate your program design every three years when your LHAP is due.

 Adjust subsidy amounts and eligibility requirements based on market assessment.
ANNUAL REPORT DATA

- Funds Leveraged
  - Public Funds
  - Private funds
  - Owner contribution

- With rehab/without rehab

- Special needs
PLEASE COMPLETE THE EVALUATION!

Aida Andujar
andujar@flhousing.org
(954) 593-8988

Carter Burton
burton@flhousing.org
(407) 864-5424

Michael Chaney
chaney@flhousing.org
850-980-1307

Technical Assistance Hotline
1-800-677-4548