

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION.....	2
WHO QUALIFIES FOR ASSISTANCE?.....	3
WHAT TYPE OF HOUSE QUALIFIES?.....	4
TERMS OF ASSISTANCE.....	5
UNDERWRITING GUIDELINES.....	6
PROCESSING AND COMMITMENT.....	7
EARNEST MONEY CONTRACT.....	8
HUD INCOME GUIDELINES.....	8
OCCUPANY STANDARDS.....	9
LENDER'S CHECKLIST	10
REALTOR'S INFORMATION SHEET.....	11 & 12
TITLE CLOSING INSTRUCTIONS.....	13 & 14
HUD APPROVED/DISAPPROVED CLOSING COSTS.....	15

Introduction

HOME Investment Partnerships Program (HOME) are funds allocated by HUD to eligible State and Local governments to expand the supply of decent, safe, sanitary and affordable housing (24CFR Part 92). The City of San Antonio's (COSA) Neighborhood Action Department (NAD) administers a down payment and closing cost assistance program out of HOME funds. The Homeownership Incentive Program (HIP) are federal funds made available to eligible first-time homebuyers. The HIP program provides homeownership opportunities for low to moderate-income families.

Families from various background with income below 80% AMFI, may qualify for an FHA 203B, FHA 203K, VA or a Conventional loan to finance the purchase of an existing or newly constructed home. However, some of these families are unable to save the money needed for the down payment and closing costs that are required from the lender. HIP provides the necessary financing in the form of a second lien mortgage. Assistance may be provided in the form of a three percent (3%) loan with a perpetual amount.

Policy clarifications or general questions should be addressed to the City's Neighborhood Action Department (NAD). Please contact either Esther M. Hernandez at 207-5421, Rene Palacios 207-5423, or Adolph Torres at 207-5420.

WHO QUALIFIES FOR ASSISTANCE?

To be eligible for participation in the HIP, clients must meet all the following criteria:

1. The household's gross annual income cannot exceed eighty percent (80%) of the Area Median Family Income (AMFI). See HUD income sheet on page 8. Household income consists of all money received or earned by any person 18 years of age or older who currently resides or who will reside in the structure to be purchased. This includes all income earned, i.e., part-time employment, overtime, child support, bonuses, SSI, etc. NAD reserves the right to re-verify the household's gross income if more than 6 months has lapsed from when borrower was initially qualified.
2. The borrower must be a first time homebuyer which is defined as follows:
 - ❖ Have never had ownership interest in any residential property for at least three (3) years prior to applying for HIP down payment assistance
 - ❖ Displaced person or family individual that involuntarily moves from real property permanently as a direct result of acquisition, rehabilitation, or demolition.
 - ❖ Single parent or single person.
3. The borrower must occupy the home and declare it as their homestead for tax purposes during the term of the program assistance.
4. The borrower must qualify for an FHA, VA or a Conventional mortgage loan from a legitimate mortgage lender.
5. Owner financed loans does not qualify for HIP funds.
6. Purchaser must attend COSA's homebuyers' training session and submit a certificate of completion form as soon as possible, prior to closing.
7. Purchaser should deposit a minimum of \$500 in earnest money receipted by the title company prior to closing the loan at the title company.

WHAT TYPE OF HOUSE QUALIFIES?

1. The house to be purchased must be located within the San Antonio City Limits. Check Bexar Appraisal District website records using the physical address of the property in question to determine if its within COSA's city limits.
2. The maximum sales price of the home shall not exceed \$89,000.00, "Affordable Home Price", established by San Antonio City council. This amount is subject to change.
3. The home can be an existing or a newly constructed property. A newly constructed unit is a property, which received a Certificate of Occupancy within a one-year period prior to the commitment of HIP funds. Newly constructed properties must meet the Model Energy Code and certification must be submitted to NAD by the builder or the lender before closing.
4. Unit to be purchased as the borrowers principal residence can be single-family unit, condo or two-four unit property. For two-four unit property, assistance will be provided only for the unit to be occupied as the purchaser's principal residence. Example: A total of \$6,000 is needed to close the purchase on a duplex, $\$6,000 / 2 = \$3,000$ adjusted, maximum HIP assistance available.
5. Condition of unit must be safe, decent and sanitary. Must meet all City Building Codes and federal standards including Environmental Lead Based Paint and HUD's Housing Quality Standards (HQS 24CFR, Section 882.109) to be completed by COSA staff. HQS is not a substitute for the TREC final inspection report requirement.
6. Unit must contain adequate living space. HIP funds are governed by certain Federal Regulations to ensure that funds are not used to contribute to overcrowded housing conditions. Refer to Page 11 for Occupancy Standards.
7. For units built prior to 1978, a visual assessment on all painted surfaces shall be performed for detection of lead based paint in accordance with 24CFR part 35.1015. At COSA's discretion, a lead "clearance" report may be required even though there may not be children in the household.
8. If the property to be purchased is located in flood prone area, the homeowner must maintain flood insurance for the term of the loan.

TERMS OF ASSISTANCE

1. HIP ASSISTANCE:

- Not to exceed \$8,000, minimum \$1,000.
- The HIP loan will be @ 3% amortized over 5 years, not to exceed combined PITI 30% of monthly gross income. Depending on front ratio, payback amount can be reduced to 50% or 25% of the HIP loan.
- Up to 75% of loan can be in the form of 0% perpetual lien with balance due upon change of ownership or demise of owners.
- Assistance secured by a second lien loan on total HIP amount.
- Subordinated only to legitimate financial institution's first lien mortgage loan.
- First lien interest rate may not exceed 2% of current market rate.

2. CHANGE IN LENDER AND/OR PROPERTY:

- If purchaser changes mortgage companies after a commitment is issued by HIP, a "Letter of Transfer" document, a revised Good Faith Estimate (GFE) and a Mortgage Analysis Work Sheet (MGAW) are required by COSA.
- Should the purchaser change properties after HIP commitment, a new request must be submitted by the lender to COSA along with all items outlined on HIP checklist.

3. EXCESS OF CLOSING FUNDS:

- Funds returned to COSA after closing due to overage of HIP assistance are applied to perpetual amount first then to the amortized loan.

4. PERPETUAL LIEN:

- 0% Interest Rate.
- Portion of loan not amortized.
- Due at change of ownership or demise of owners.
- Buyer can initiate payback by making arrangements with COSA.
- Only payoff will terminate the term of assistance.

UNDERWRITING GUIDELINES

FHA, CONVENTIONAL AND V.A.

1. Qualifying ratios: 30/41
2. Fixed interest rate cannot exceed 2% of the current market rate.
3. Up to 1.0% origination fee is covered by HIP funds.
4. Minimum cash investment of \$500 to be made toward purchase of home.
5. Maximum HIP loan is up to \$8,000 and is subject to the 1st lien holder's approval of Complete Loan to Value (CLTV).
6. Minimum \$1,000 HIP loan.
7. The HIP loan will be @ 3% over 5 years, not to exceed combined PITI of 30% of the monthly gross income. Depending on front ratio, payback amount can be reduced to 50% or 25% of the HIP loan.
8. Up to 75% of loan can be in the form of 0% perpetual lien with balance due upon change of ownership or demise of owners.
9. Maximum sales Price \$89,000.00
10. Any funds over \$5,000 in liquid assets, must be used on the purchase.
11. Twelve (12) month current payment history for rent and utilities.
12. No bankruptcy within the following timeframe:
 - a. Chapter 7: Must be five (5) years from discharge.
 - b. Chapter 13: Must be two (2) years from discharge.

FHA 203K LOANS – PURCHASE WITH REHAB:

1. 1.5% Origination fee – maximum.
2. Final Inspection report due 90 days after closing at Title Company.
3. Interest rate – no more than 2% over the current 203K-market rate.
4. Buy downs and discount points are not eligible costs.
5. Copy of Construction Contract with line items and price listed.
6. Copy of Warranties and or guarantees.

NAD PROCESSING AND THE HIP COMMITMENT

IT IS RECOMMENDED THAT THE LENDER VERIFY THAT THE FILE IS COMPLETE AND CREDIT APPROVED, PRIOR TO SUBMISSION TO NAD.

Upon receipt of a "credit approved" packet, NAD begins processing the request for assistance. The following describes the processing components:

1. Packet is reviewed to ensure completeness, accuracy and eligibility. There is a 7 – 15 day turn around.
2. Housing Quality Standard (HQS) report is ordered by NAD's personnel. The HQS and TREC property inspection reports will be reviewed by NAD'S personnel. Realtor, lender and buyer will be advised of any required repairs, and need to let NAD know whether to proceed with loan process.
3. A review of the proposed property will determine if the structure has sufficient living/sleeping space according to HUD occupancy standards to accommodate the family size.
4. By reviewing lender's GFE and MGAW, NAD's loan officer computes the amount of HIP assistance and paid back amount.
5. After lender's approval of HIP assistance, a Commitment Letter is ordered by NAD and requested from the City Attorney's Office.
6. A Department of Housing and Community Development Down Payment Assistance Site Specific Environmental Review Record (ERR) is conducted by NAD per HUD 24CFR 58.6. Certain ERR results may have a negative impact on NAD's ability to provide assistance (i.e. air and noise thresholds.)
7. The HIP loan is conditionally approved, subject to the following:
 - a. Lender's approval for the HIP amount and completion of code impacted repairs as identified by TREC inspection report and HQS.
 - b. Lead based paint clearance, if applicable
 - c. City approval of ERR and clearance of all environmental issues
 - d. Clear title
8. An appointment is scheduled with the purchaser for signing COSA's Commitment Letter.
9. NAD's loan officer submits copy of the commitment to the lender.
10. NAD's loan officer calls the title company when HIP closing legal documents are ready to be picked up. Coordination with NAD's loan officer is essential to meet closing schedules and avoid delays.

THE EARNEST MONEY CONTRACT

1. COSA requires a copy.
2. The contract must show a fixed interest rate.
3. Must be properly receipted by a Title Company.
4. Any changes to the contract must be dated and initialed by both parties.
5. Submit a copy of any contract extensions to NAD as soon as possible.
6. A minimum of \$500 should be receipted by a title company. The location of the title company and closer's name must be legible on the contract.
7. The loan appraisal fee is a reimbursable item if paid by Buyer or if the Seller pays up front and the contract calls for reimbursement by buyer at closing.

HUD INCOME GUIDELINES

Income eligibility is based on 2005 Median Family Income for the San Antonio, Texas MSA, HUD Transmittal, March 2005. Income limits are updated automatically in compliance with the most recent transmittals received from HUD.

HOUSEHOLD SIZE	80% AMI
1	\$28,850
2	\$32,950
3	\$37,100
4	\$41,200
5	\$44,500
6	\$47,800
7	\$51,100
8	\$54,400

OCCUPANCY STANDARDS

The funds provided through the Homeownership Incentive Program are governed by certain Federal Regulations to ensure that funds are not used to contribute to overcrowded housing conditions. The following standards will be applied in considering eligibility for federally supported housing assistance programs.

<u>Number of Family Members *</u>		<u>Number of Required Bedrooms</u>
Minimum	Maximum	
1	2	1-2 Bedrooms
2	4	2-3 Bedrooms
4	6	3-4 Bedrooms
6	8	4-5 Bedrooms
8	10	5-6 Bedrooms
10 +		6 + Bedrooms

Policy Clarifications:

When necessary, one (1) adult person may be permitted to use the living room for sleeping purposes.

Persons of the opposite sex, except spouses, shall not share a bedroom unless one of the persons is under six (6) years of age.

- A single adult.
- Two (2) children of the same sex, regardless of age.
- Two (2) children of different sex who are both less than six (6) years of age.

***Depending on the age and sex of occupants, more bedroom space may be required.**

LENDERS CHECKLIST FOR HIP PACKET

The following documents are required in the loan packet for submission to NAD. COSA reserves the right to return incomplete packets.

- Lender's cover letter including name, address, phone & fax number of loan officer. Indicate buyer's name, property address, the amount of HIP funds requested. Provide detail information pertinent to loan that cannot be placed on standard forms.
- Earnest Money Contract receipted by title company
- Good Faith Estimate of closing costs. GFE should match HIP amount requested on lenders cover letter.
- Mortgage Analysis Worksheet (MGAW), if applicable.
- Loan Application. Designate spouse or living partner's employment status if applicable. Identify Non-Purchasing Spouse (NPS), partner, live in, etc. on the employment section of the application and include their social security number.
- Verification of Employment should be within last 6 months and signed by the employer's representative/personnel. Complete form with no boxes left blank.
- Verification of Income for public assistance, separate maintenance payments or child support for persons that will live in home. Submit proof of child support as evidenced by the Bexar County Child Support registry or Attorney General's office, whether consistent or not.
- Household income consists of all money received or earned by any person 18 years of age or older, who currently resides or who will reside in the home to be purchased.
- 2 copies of current pay stubs for primary buyer and 1 for all persons who will occupy the residence 18 years and older.
- Final Divorce Decree (recorded) if applicable. If never married, buyer may submit notarized letter stating "no marriage".
- Household size for Occupancy Standards. Provide on cover letter age and gender of children for families of 5 or more to expedite the process.
- Copy of the appraisal report. Notice to Lender if applicable.
- Title commitment, copy.
- Title Policy showing COSA as 2nd lien holder – submit with closing packet.
- Flood Certification, copy.
- TREC Property Inspection Report
- Verification of Deposit and 2 current bank statements.
- If new construction, copy of the Builders Certificate of Compliance with Model Energy Code and Certificate of Occupancy prior to closing.
- Copy of COSA's Homebuyers' Club certificate.

The loan packet must be complete with all items referenced above. Commitments will be made to the purchaser contingent upon receipt of these documents, and re-verification of eligibility of based on the Verification of Employment.

REALTOR'S INFORMATION SHEET

- Have Buyer enroll in COSA's certified Homebuyers' Club program as soon as possible by calling 210-207-7881. Homebuyers' class is open to the general public.
- Need to be first time homebuyer or have not owned a home 3 years prior to applying.
- To determine income eligibility, household income such as employment, social security, supplemental income, retirement, child support will be included for all household members above the age of 18 who will be occupying the residence.
- TREC Property Inspection Report must be ordered on all existing homes. COSA staff will review report and identify "code impacted repairs" that will need to be done prior to closing. Original inspector should be notified when repairs are done to give a satisfactory report.
- NAD staff will be performing Housing Quality Standard (HQS) (24CFR, Section 882.109) inspection as per the Department of Housing & Urban Development Guidelines on all homes, therefore access to the property will be needed. This report is used by NAD to ascertain primarily that there are no visual signs of deteriorated paint surfaces on the home. If applicable, lead clearance test will be required on area stabilized.
- The HQS inspection may uncover any City code violations that will need to be addressed prior to closing the loan. The HQS is not a substitute for the TREC final inspection report. The house must meet the HQS standards.
- Borrower holding more than a cumulative total of \$5,000 in savings or any other form of eligible liquid monies (i.e. savings, Certificate of Deposit, money market, or mutual funds, etc.) will reduce the total assistance by the overage amount.
- Verify Occupancy Standards under the procedural guide for HIP on page 11?
- Home must be located within the city limits of San Antonio. To verify, see Bexar Appraisal District website under property search.
- The sales price of the home shall not exceed \$89,000, "Affordable Home Price", established by San Antonio City Council.
- In the Earnest Money Contract under provision no. 11 indicate the loan is subject to COSA's HIP approval for down payment assistance.
- Inform seller that buyer is attempting to receive down payment assistance from COSA.
- Once the buyer is credit approved and the Earnest Money contract is receipted, ask the lender to submit loan packet to NAD for processing.
- Check with lender to verify that a complete loan packet has been submitted to NAD.
- Check with NAD to verify that all documents have been received.
- Funds for closing are requested by the lender not the realtor. Please allow NAD 24 hours to prepare closing documents.

REALTOR'S INFORMATION SHEET (cont.)

- Communication is key, please remember to keep all parties informed on any changes that will affect the loan qualification process.
- Estimate closing time frame of 7 – 15 days from receiving a complete package.
- Do not sell the program as a \$500 move-in! The purchaser will have closing costs to pay which are not covered through the HIP Program.
- AN INFORMED SELLER AND BUYER ARE THE BEST CUSTOMERS!**

For information on visual assessments and/or inspections for lead base paint issues contact the Texas Department of Health at 1-888-778-9440 for a listing of Certified Lead Risk Assessors in Bexar County. For a listing of HUD's certified lead service providers, please contact 1-888-532-3547. Their website address is www.lead.list.org. The National Lead Information Center Clearing House have specialists available to answer any of your question regarding lead issues. At 1-800-424-5323.

CITY OF SAN ANTONIO (COSA)
NEIGHBORHOOD ACTION DEPARTMENT (NAD)
CLOSING INSTRUCTIONS

Borrower:
 New Address:

Date:

Attached are the legal documents and loan proceeds from the City of San Antonio (COSA) for the property referenced above:

The Assistance in the amount of \$_____ is to be applied as follows:	Allowable Amount	Funds Applied	HUD I Line Items	Amount Returned COSA
Down Payment: FHA and CONVENTIONAL Loans(VA Loans N/A)				
CLOSING COSTS				
Accrued Interest: 7 days Maximum:				
Fire and Extended Coverage (14 months):				
Property Taxes (2 months):				
Independent Inspections: Property Inspection Report up to \$300.00 Lead Final Clearance up to \$300.00	<u>300.00</u> <u>300.00</u>			
Credit Report				
Closing Fee/Title Company				
Attorney Document Preparation				
Appraisal				
Origination Fee 1% (1.5% for FHA 203K)				
Buyer's Broker Fee				
Recording Fees				
Environmental Inspection/Lender's Inspection				
Survey				
Title Insurance				
Verification of deposit/Verification of Employment	30.00			
COSA'S Homebuyers Book	15.00			
Pest Inspection				
Flood Certification				
Commitment Fee				
Courier Fees				
Other				
TOTALS:				

Title company to provide information in shaded blocks – RETURN WITH CLOSING DOCUMENTS.
 CONTINUED ON NEXT PAGE

TITLE CLOSING INSTRUCTIONS:

1. The maximum down payment allowed for FHA and Conventional loans.
2. If the full 7 days of interest is not used, the overage may not be applied to other closing costs.
3. Insurance coverage must be in an amount not less than the combined loans of the amount \$_____ and must carry a mortgagee's clause payable to City of San Antonio (COSA).
4. If the amount for property taxes escrow of 2 months is not used, any overages need to be returned.
5. Fax HUD 1 for approval to 207-5417 before closing.

There are instances where funds being provided for a specific purpose may be applied to other closing cost line items. Please call Esther Hernandez at 207-5421 or Rene Palacios at 207-5423 or Adolph Torres at 207-5420. Otherwise any excess funds are to be returned to COSA to be applied to family's HIP loan.

As soon as possible after closing, please submit the following documentation to The City of San Antonio, 1400 S. Flores, San Antonio, Texas 78204 to the attention of Esther Hernandez or Rene Palacios.

1. HUD 1 Settlement Statement, executed copy
2. Original executed COSA Real Estate Note.
3. Executed copy of Deed of Trust
4. Hazard Insurance copy showing COSA as loss payee.
5. Title Policy showing COSA 2nd lien holder
6. Original executed Personal Guaranty.
7. Original executed Truth in Lending Statement for HIP loans.

HUD Approved/Disapproved Closing Costs

ALLOWABLE Costs

CLOSING COSTS:

Credit Report
Closing Fee/Title Company
Survey
Appraisal
Origination Fee 1% (1.5% for 203K)
Buyer's Broker Fees
Recording Fees
Attorney's Document Preparation/Title Company- Subject to NAD approval
Environmental Inspection
Property Inspection Report
Title Insurance
Flood Certification
Pest Inspection
Commitment Fee
Courier Fees
Lead Clearance Report – 1 time only
Verification of Employment & Verification of Deposit – Max. of \$30
COSA's Homebuyers Book – \$15.00 fee

PREPAIDS:

Hazard Insurance(14months)
Property taxes (2 months)
Accrued Interest (7 days)

DISALLOWABLE Costs

Mortgage Insurance Premium (MIP)
Tax Service Fee
Closing Investor Fee
Tax Certificate
Application Fee
Discount Fees/Buy-down Fee
Commission (Real Estate)
Participation Fee
Processing Fee lender or RE Broker Fee
Recording Fee Assignment to Investor
Transfer and HOA Fees
Underwriter Fees and other excess fees
Finder's Fees, Servicing Fees
Repair Escrow Fee
Notary Fees