

HOME FIRST-TIME HOMEBUYERS PROGRAM

General Information

This program is designed to provide financial assistance to very-low and low income applicants/households to acquire their first home (*acquire includes acquisition, acquisition/rehabilitation and new construction*) that will be used as their principal place of residence. Financial assistance will be provided in the form of a mortgage which is due upon sale, transfer or conveyance of the property. If the loan conditions are not violated at the end of 30 years, the loan is forgiven. This program shall be administered in compliance with the HOME Investment Partnership Program.

HOME funding makes homeownership affordable for prospective very-low and low income first time home buyers. Funds may be used as gap financing for a buy down of the purchase price, rehabilitate an existing property (*expending no more than \$5,000*) and/or closing costs.

Assistance will be determined in accordance with the current Annual Income Limits for West Palm Beach and Boca Raton Metropolitan Statistical Area (MSA) (exhibit "A") published annually by the Department of Housing and Urban Development (HUD) for low and very low income categories only. Determination is based upon household annual gross income and household size. Only persons with income levels at or below the median income for Palm Beach County (MSA) are eligible. A household will qualify for only that amount of assistance required to purchase a home using the Housing Expense Ratio and Maximum subsidy guidelines referenced in the Housing Expense Ratio section of this document.

The Subsidy Process

Those wishing to participate in the HOME Purchase Assistance Program must first enroll in a First Time Homebuyers' Education Program for a total of eight (8) hours. This program will initiate the process and prepare the first-time homebuyer for homeownership. Upon completion of the Homebuyers' Education Program, participants will receive a certificate of completion with each accompanying certification. A copy of the certificate and certification must be included in the HOME Application upon submittal to our office. Certifications are good for one (1) calendar year. If the certification is longer than a year the documents are deemed expired and the applicant is required to re-certify utilizing the prevailing Homebuyers' Education Program guidelines.

After completion of the Homebuyer's Education course, the applicant must acquire approval for a residential mortgage with a bank/mortgage lender. When submitting an application to the Housing and Community Development (HCD) Department, applicants may choose to be represented by a non-profit organization (CDC) and/or their lender (*private sector lender*). Applicants can either select a lender and/or non-profit organization of their choice or refer to HCD's list of participating lenders and non-profit organizations. Applicants are advised that the lenders and non-profit organizations listed by HCD are not "approved" or "certified" by Palm Beach County. However, Community Housing Development Organizations (CHDO's) are contractually bound to provide specific housing services i.e. housing developer, multifamily rental housing, and the like.

The application process for a prospective first-time homebuyer commences with the submission of a subsidy request package from the applicant; an institutional first mortgage lender; a non-profit organization or CHDO on behalf of the applicant. The lender or non-profit organization must submit the required documentation, including evidence that the applicant has been pre-qualified or approved for a first mortgage.

Applications for the HOME Purchase Assistance Program will undergo an initial "intake review process" and determine whether or not the application meets the established guidelines. Applications will be reviewed and processed in the order they are received. HOME applications are accepted and must be submitted by 4:00 pm daily. All applications are subject to funding availability.

HOME PURCHASE ASSISTANCE PROGRAM (HPAP) CRITERIA

1. MINIMUM AND MAXIMUM FRONT-END RATIO

- In order to be eligible for assistance the front-end ratio must be between 30.00% and 35.00%.
- If an applicant/household is purchasing a home through Habitat for Humanity, United States Department of Agriculture or the like, the applicant's housing expense ratio must at least be 20.50% to receive assistance and it cannot exceed 35.00%.

2. MAXIMUM BACK-END RATIO

- In order to be eligible for assistance the back-end ratio cannot exceed 45%.

3. SUBSIDY ASSISTANCE PROVIDED

- LOW INCOME applicants can receive up to \$70,000 in assistance (*\$65,000 HOME and up to \$5,000 ADDI, if ADDI funds are available*).
- VERY LOW INCOME applicants can receive up to \$85,000 (*\$75,000 HOME and up to \$10,000 ADDI, if ADDI funds are available*)

4. ELIGIBLE HOUSING

- Eligible properties are newly constructed or existing single-family houses, townhouses or condominiums, located within eligible areas of Palm Beach County (*mobile homes are not eligible for assistance*).

5. ENTITLEMENT CITIES

- Applicants are *ineligible* for a HPAP subsidy if the home is located within the incorporated areas of an Entitlement City (*Boca Raton, Boynton Beach, Delray Beach or West Palm Beach*). However, if the home being purchased or built is within the unincorporated areas of Palm Beach County, it is eligible for funding as outlined based upon funding availability.

6. DEFINITION OF ELIGIBLE APPLICANTS & HOUSEHOLDS

- "An eligible person or household" is one or more natural persons or family who has been determined to be of very-low, or low income according to the income limits published annually by the United States Department of Housing and Urban Development (HUD). All units constructed, rehabilitated, purchased or otherwise assisted with HOME housing funds must be occupied by eligible persons utilizing the assisted housing unit as their principal residence as required by Section 420.9075(4)(d)2., F.S. or 24 CFR part 92

Legal Residency - It is required that only the first mortgage borrower(s) and thus the recipient(s) of HOME funds, have legal residency as defined by the Department of Housing and Urban Development. However, where and when the Palm Beach County determines additional policies or criteria is appropriate, the HOME policy shall be revised to be in compliance.

7. INCOME ELIGIBILITY

- This program is designed to provide financial assistance to only very-low and low income applicants/households to acquire their first home which will be used as their principal place of residence. Program income eligibility will be based on annual medium family income determinations issued by the Department of Housing and Urban Development. Eligible households cannot exceed 80% of the median family income for the applicable area.

8. MINIMUM LOAN-TO-VALUE RATIO

- There are no Loan-to-Value requirements. However, the total amount of HOME

- First time homebuyers are not permitted to receive cash back through the closing transaction.

9. MAXIMUM HOUSEHOLD ASSET LIMIT

- If the applicant’s total liquid assets equal or exceed their maximum eligible subsidy, then the maximum eligible subsidy amount will be reduced to one-half (1/2) of the otherwise eligible amount.
- In order to be eligible for assistance, the household’s total “liquid assets” cannot equal or exceed \$200,000 (*excluding Individual Retirement Accounts, pension’s and retirement funds*). Liquid Assets are defined as: any cash or cash equivalent which can be immediately converted into cash at an established rate or value. Cash equivalents include: savings bonds and other bond investments; corporate stock and stock futures; mutual funds; and any other investment security or note.

10. LOAN COMMITMENT & FUNDING SET ASIDE

- HCD will issue a “Conditional Loan Commitment” that will be honored for up to 60 calendar days for applicants where a property has been selected and a legally binding contract has been fully executed. Additionally, funds will only be encumbered for 60 calendar days from the date of subsidy recommendation; applications where no property has been contractually agreed upon will not have subsidy encumbered; however, an Income Eligibility Letter will be issued. Conditional loan commitments will only be issued to applicants who have a fully executed purchase contract. Applicants shall verify with HCD the status of their commitment after 60 calendar days have elapsed. HOME subsidy funds cannot be committed indefinitely. If an applicant has chosen to construct a new home, the commitment period must be approved by the HCD Director.

11. MINIMUM APPLICANT CONTRIBUTION

- The minimum applicant contribution percentages for the two income categories are as follows:

Very Low – 1.0% Low - 2.5%
- The calculation of the applicant contribution will be based on the purchase price and rehabilitation costs (*if applicable*).

12. MAXIMUM CLOSING COST PERCENTAGES AND CALCULATIONS

- In an effort to maintain affordability for the home buyer, HCD has established maximum percentages for closing costs. The approved closing cost percentages are as follows:

<u>First Mortgage Amounts</u>	<u>Maximum Closing Cost Percentage</u>
☐ Under \$30,000	7.0%
☐ \$30,000 - \$40,000	6.0%
☐ \$40,001 - \$50,000	5.5%
☐ \$50,001 - \$60,000	5.0%
☐ \$60,001 - \$70,000	4.5%
☐ \$70,001 - \$80,000	4.0%
☐ \$80,001 - \$280,000	3.5%

- The closing cost calculations used for qualifying shall not include prepaid interest, Private Mortgage Insurance, Escrows, Non-Profit fees or Builder/Developer fees.

However, if the Builder/Developer received government assistance to build the purchased unit, then the Builder/Developer fee shall be included in the closing costs calculations.

- New construction projects located in the Glades Area can close at a closing cost not to exceed 7%.

13. TITLE TRANSFERS/MORTGAGE SUBORDIATIONS

- Palm Beach County must consent to all property interest transfers including, but not limited to transfers between owners. The County will only approve such requests in limited circumstances such as death, divorce or other special circumstances. Any unapproved transfer of interests will automatically (*and immediately*) require full repayment of the entire HOME subsidy.
- Mortgage subordinations are granted at the discretion of Palm Beach County. Mortgage subordinations will only be granted by the HCD Director where the home owner is seeking new financing to: lower the term of the first mortgage; lower the interest rate of the first mortgage; or make improvements to the HOME assisted property. Mortgage subordinations will not be granted at any time where the County's financial interest is not fully protected.

14. PROPERTY TAX CALCULATIONS FOR QUALIFYING RATIOS

- When establishing a property tax figure for calculating expense ratios, HCD Staff will use the information presented by the lender, provided the information is consistent with the information available on the Palm Beach County Property Appraiser Public Access System (*PAPA*) and/or any other available source of documentation used by the HCD Staff to determine future property tax liability of HOME applicants.

15. HOMEOWNERS INSURANCE INFORMATION

- Insurance coverage for the HOME assisted properties must be sufficient to cover all encumbrances placed against the property. Exceptions to this requirement will be made only in cases where the insurance company accepts, through official certification, that it is acceptable for the coverage to be less than the total value of the encumbrances on the property.

16. MAXIMUM INTEREST RATE

- Interest rates on a thirty (30) year fixed rate, first mortgage shall not exceed 0.5 percentage points above the County average rate. Interest rates will be determined on the first Saturday of each month as is reported in the Palm Beach Post newspaper.
- The maximum applicable interest rate that will be applied will be based on the date the application is submitted.

17. FIRST MORTGAGES

- Subsidies will only be provided to those applicants who have acquired a 30 year fixed rate first mortgage.

18. HOMEBUYER EDUCATION CERTIFICATE & CERTIFICATION

- All applicants seeking participation in the HOME Purchase Assistance Program are required to enroll in a home buyer education course for no less than six (6) hours in a classroom setting plus two (2) hours one-on-one counseling with approved checklist prior to the submission of the subsidy request application.
- All applicants seeking participation in the HOME Purchase Assistance Program are required to have the provider of the home buyer education course certify their enrollment and completion of the course.

19. INSPECTIONS

- All existing residential properties to be purchased utilizing HOME funds must have an initial inspection conducted by a County licensed Inspection Company to perform such services or by a certified building or general contractor.
- Pre-inspections are required to determine the condition of the property and identify needed repairs, if any. Please note that if the home is 15 years old or older and it is a detached/single family home, a HCD inspection *is required* prior to the submission of a subsidy application.
- Final Inspections must be conducted to determine that repairs required on the initial inspection report are complete and were done in accordance with all applicable building codes.

20. ENVIRONMENTAL REVIEW

- HCD staff shall conduct an environmental review of the site. After completion of the review, a clearance notice is sent to the non-profit/municipality/lender which indicates if the property passes or fails. Notice will also include any required mitigation measures. If the site fails review, the applicant (*or their representative*) will be informed that another site must be selected.

21. LEAD-BASED PAINT

- Homes built in 1978 or before will require a lead-based paint risk assessment to determine if there is a presence of lead-based paint hazards.

22. PROPERTY SELECTION

- The non-profit/municipality/lender can assist the applicant in identifying either a vacant lot for new construction or an existing home for purchase and ensures purchase of property will not result in displacement of persons.
- A Notice to Owner shall be sent to the owner/seller certifying the acquisition of the property will not result in displacement of persons of the Uniform Displacement Act (UDA). *If the property selected is occupied by a tenant, it would not be eligible for HOME subsidy assistance.*

23. REHABILITATION WORK

- If the inspection report indicates the need for repairs on the property to be purchased with the HOME subsidy, at least one bid to complete the repairs is required from a County licensed building contractor. The maximum award for HPAP funded repairs is \$5,000. The cost of repairs combined with the HOME subsidy cannot exceed the maximum allowable subsidy. If the cost of repairs exceed \$5,000, at least three (3) bids are required. Post-closing rehabilitation repair work must be performed by a County licensed building contractor. Only the HCD Rehabilitation Compliance Inspector can authorize the release of any escrowed funds for repairs.

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