



**TEXAS DEPARTMENT OF
HOUSING & COMMUNITY AFFAIRS**
Building Homes. Strengthening Communities.

Neighborhood Stabilization Program Homebuyer Training

December 9, 2010



Housekeeping

- ❖ Please silence your cell phone
- ❖ Breaks: Morning and Afternoon
- ❖ Lunch
- ❖ Conclusion: Approximately 4:00 pm



Texas NSP Update

- ❖ Obligations
- ❖ Expenditures
- ❖ Roundtable - December 3
 - ❖ NSP3 - \$7.28 Million
 - ❖ Program Income



Presentation Overview

- ❖ Program Requirements
- ❖ Property Requirements
- ❖ NSP Homebuyer Financing Guidelines
- ❖ Submitting Homebuyer information



NSP Homebuyer Program Requirements – Federal

- ❖ Fair Housing Compliance
 - ❖ Affirmative Marketing
 - ❖ Limited English Proficiency
- ❖ Income Eligibility
- ❖ SAFE Act
- ❖ RESPA
 - ❖ Exemption for HBA-only

The background of the slide features a composite image. On the left, there is a photograph of a house with a red roof and white siding. On the right, there is a map of a city or region with various colored areas and lines representing streets or boundaries. The text is overlaid on this background.

NSP Homebuyer Program Requirements - Fair Housing Compliance

- ❖ Obligations
 - ❖ Do not discriminate in housing unlawfully
 - ❖ Administer NSP activities without discriminating against protected classes
 - ❖ Ensure that housing partners comply with fair housing laws
 - ❖ Affirmatively market NSP-assisted housing



NSP Homebuyer Program Requirements - Applicable Civil Rights Laws

- ❖ Fair Housing Act (Title VIII of Civil Rights Act of 1968), as amended
- ❖ Title VI of the Civil Rights Act of 1964
- ❖ Age Discrimination Act of 1975
- ❖ Section 109 of the Housing and Community Development Act of 1974
- ❖ Section 504 of the Rehabilitation Act of 1973



NSP Homebuyer Program Requirements – Affirmative Marketing

- ❖ Communicate to public that program will be administered in a non-discriminatory manner
- ❖ Outreach to specific groups least likely to access the program
- ❖ At a minimum
 - ❖ Create Affirmative Marketing Plan (HUD Form 935.2)
 - ❖ Document outreach efforts
 - ❖ Review/modify Plan



NSP Homebuyer Program Requirements – Limited English Proficiency

- ❖ Executive Order 13166 – “Improving Access to Services by Persons with Limited English Proficiency”
August 11, 2000
 - ❖ Assess and address the needs of otherwise eligible persons seeking access to federally conducted programs and activities who, due to LEP cannot fully and equally participate in or benefit from those programs and activities
 - ❖ Prepare a plan to improve access to...federally conducted programs and activities by eligible LEP persons



NSP Homebuyer Program Requirements – Income Eligibility

- ❖ All Homebuyer Households must be at or below 120% AMI
- ❖ Households purchasing setaside units must be at or below 50% AMI
- ❖ Texas NSP has adopted 24 CFR Part 5 Annual Gross Income method to calculate income



NSP Homebuyer Program Requirements - SAFE Act

- ❖ Texas Department of Savings and Mortgage Lending
 - ❖ Training
 - ❖ Licensing
 - ❖ Enforcement
- ❖ <http://www.sml.state.tx.us/>



NSP Homebuyer Program Requirements - RESPA

- ❖ Real Estate Settlement Procedures Act
 - ❖ 24 CFR Part 3500
- ❖ Documents provided to borrowers
 - ❖ “Shopping for Your Home Loan – HUD’s Settlement Cost Booklet”
 - ❖ Good Faith Estimate (GFE)
 - ❖ Not later than 3 business days after application



NSP Homebuyer Program Requirements - RESPA

- ❖ Exemption for no-cost, zero-interest forgivable or deferred loans used for downpayment or closing costs
- ❖ HUD Guidance and forms
 - ❖ http://www.hud.gov/offices/hsg/rmra/res/respa_hm.cfm



NSP Homebuyer Program Requirements - State

- ❖ Property eligibility
 - ❖ TREC and HQS Inspections
- ❖ Loan Qualification
- ❖ Use A – Direct Financing
- ❖ Use B & E – Subrecipient resales



NSP Homebuyer Program Requirements – Property

- ❖ Use A – Direct Financing
 - ❖ HBA and Permanent
 - ❖ Foreclosed or Abandoned
 - ❖ Discount Requirement – Appraisal
 - ❖ Inspections – TREC & HQS
 - ❖ Survey
 - ❖ Environmental Clearance
 - ❖ Timing



NSP Homebuyer Program Requirements – Property

- ❖ Use B – Purchase and Rehabilitation
- ❖ Use E – Redevelopment

- ❖ Requirements
 - ❖ Resale price no more than hard costs
 - ❖ Inspections – TREC & HQS
 - ❖ Combined Loan-to-Value (CLTV) – Appraisal



NSP Homebuyer Program Requirements – Property

- ❖ Resale Price Concerns
- ❖ Potential write-down of payoff
 - ❖ Costs exceed appraisal
 - ❖ Loan qualification for setaside buyers
- ❖ Resale price no more than hard costs
 - ❖ Lot costs for redevelopment properties



NSP Homebuyer Financing Guidelines

- ❖ Important Changes
 - ❖ Housing Ratios
 - ❖ Compensating Factors
 - ❖ Clarifications



NSP Homebuyer Financing Guidelines

Topic 1: Assistance Available through NSP

Topic 2: General Loan Eligibility for both HBA and PMF

Topic 3: Qualifying the Homebuyer: Income Eligibility

Topic 4: Qualifying the Homebuyer: Credit Qualification

Topic 5: Submitting the Homebuyer setup

Topic 6: Table Funding Draws



NSP Homebuyer Training

- ❖ **Topic 1: Assistance Available through the Neighborhood Stabilization Program**
 - ❖ Homebuyer Assistance (HBA)
 - ❖ Permanent Mortgage Financing (PMF)



NSP Homebuyer Assistance

HBA funds may be used for:

- ❖ Down payment assistance
 - ❖ Up to 50% of the lender-required downpayment
- ❖ Gap Financing- principal reduction
- ❖ Pre-paid escrow deposits & PMI
- ❖ Closing Costs



NSP Homebuyer Assistance

- ❖ Subordinate, deferred forgivable financing at 0% interest
- ❖ Households at or below the 120% of the Area Median Family Income (AMFI)
- ❖ May not exceed \$30,000
- ❖ Amount of HBA determined by calculated need
 - ❖ Ratios
 - ❖ Loan qualification



NSP Homebuyer Assistance

- ❖ Term based on amount
 - ❖ Follows HOME affordability periods
- ❖ Total HBA assistance up to \$15,000 total – 5 year term
- ❖ Total HBA Assistance more than \$15,000 – 10 year term



NSP Homebuyer Assistance

- ❖ HBA Loans will become due and payable –
 - ❖ If property fails to complete the affordability period requirements
 - ❖ If property ceases to be the owner's principal residence
 - ❖ If the first lien is paid off
- ❖ Payoff amount calculated on an annual pro-rata basis, from the most recently passed anniversary of the loan



NSP Homebuyer Assistance

- ❖ For NSP-HBA loan of \$12,000

- ❖ 5 year term

- ❖ \$2,400 forgiven annually

- ❖ If sold 3 years after purchase:

- ❖ Original Loan \$12,000

- ❖ 3 X \$2400 (7,200)

- ❖ Payoff \$ 4,800



NSP Permanent Mortgage Financing

- ❖ Permanent Mortgage Financing (PMF)
 - ❖ In addition to Homebuyer Assistance
 - ❖ Household income is at or below 50% of the Area Median Family Income
 - ❖ Household meets NSP Homebuyer Guideline requirements for loan qualification



NSP Permanent Mortgage Financing

Loan Terms:

- ❖ Purchase money first lien mortgage
- ❖ 30 years fully amortized
- ❖ Zero (0%) interest
- ❖ Qualification based on ratios
 - ❖ Housing Ratio - 28%
 - ❖ Debt-to-income Ratio – 45%

FHA 203(b) Limits

The maximum loan amount may not exceed the Pre-Economic Stimulus 203(b) limit established for the area.

http://www.tdhca.state.tx.us/home-division/forms/docs/A28FHA203b_Limits_PreStimulus.pdf

FHA 203(b) Mortgage Limits
Pre-Economic Stimulus Act

| Texas County Code | Texas County Name | MSA Code | Texas Metropolitan / Micropolitan Service Area (MSA / Micropolitan SA) | 1-Family FHA Limits (Pre-Stimulus) | 2-Family FHA Limits (Pre-Stimulus) | 3-Family FHA Limits (Pre-Stimulus) | 4-Family FHA Limits (Pre-Stimulus) |
|-------------------|-------------------|----------|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| 001 | Anderson | 37300 | Palestine, TX Micropolitan SA | 200,160 | 256,248 | 309,744 | 384,936 |
| 003 | Andrews | 11380 | Andrews, TX Micropolitan SA | 200,160 | 256,248 | 309,744 | 384,936 |
| 005 | Angelina | 31260 | Lufkin, TX Micropolitan SA | 200,160 | 256,248 | 309,744 | 384,936 |
| 007 | Aransas | 18580 | Corpus Christi, TX MSA | 200,160 | 256,248 | 309,744 | 384,936 |
| 009 | Archer | 48660 | Wichita Falls, TX MSA | 200,160 | 256,248 | 309,744 | 384,936 |
| 011 | Armstrong | 11100 | Amarillo, TX MSA | 200,160 | 256,248 | 309,744 | 384,936 |
| 013 | Atascosa | 41700 | San Antonio, TX MSA | 200,160 | 256,248 | 309,744 | 384,936 |
| 015 | Austin | 26420 | Houston-Baytown-Sugar Land, TX MSA | 200,160 | 256,248 | 309,744 | 384,936 |



221 (d) 3 Limits

- ❖ Maximum per-unit subsidy
- ❖ Amount by jurisdiction and size of unit
- ❖ HOME Manual Appendices

http://www.tdhca.state.tx.us/home-division/forms/docs/A32-Per-Unit_Subsidy_221d3.pdf



NSP Homebuyer Training

- ❖ **Topic 2: General Loan Eligibility for both HBA and PMF assistance**
 - ❖ Loan-to-value
 - ❖ Asset Limits
 - ❖ Minimum Investment
 - ❖ Homebuyer Education



General Loan Eligibility

Maximum Combined Loan-To-Value:

- ❖ The maximum CLTV is 100% of the appraised market value of the property.
- ❖ Homebuyer closing costs and allowable pre-pays may be financed with HBA, so long as the final CLTV Combined Loan-to-value does not exceed 100%
- ❖ **First lien + second lien / appraised value = CLTV**



General Loan Eligibility

Asset Limits

- ❖ Total household liquid assets are not to exceed an amount equal to the 50%AMFI for the same household size
- ❖ Liquid assets includes savings accounts and assets that may be converted to cash
 - ❖ Brokerage accounts
- ❖ Funds held in retirement accounts are not included in liquid asset balances
- ❖ Calculated differently than income eligibility



General Loan Eligibility

Asset limits – example

- ❖ The Smith household's annual income is \$59,050, which is 80% of AMI for their household of 4
- ❖ The 50% AMI amount for a household of 4 in Travis County where they live is \$36,900
- ❖ The Smiths have the following assets:
 - ❖ \$25,000 in savings
 - ❖ \$10,000 in an E-trade account
 - ❖ \$50,000 saved for retirement in a 401(k)
- ❖ *Do they qualify?*



General Loan Eligibility

Homebuyer Minimum Investment:

- ❖ A minimum investment of \$500 is required from all NSP Homebuyers
- ❖ If HBA-only, payment of 1st lien lender required down payment can meet required minimum
- ❖ If more than the minimum \$500.00 invested; any additional funds may be applied to principal reduction



General Loan Eligibility

Homebuyer Minimum Investment:

- ❖ Requirement may be fulfilled by participation in sweat-equity program
- ❖ Program certified by TDHCA Bootstrap, or meets requirements
- ❖ Investment calculated at \$10.00/hour of labor



General Loan Eligibility

Homebuyer Education:

- ❖ All NSP assisted homebuyers are *required* to complete 8 hours of homebuyer counseling from a HUD approved housing counseling agency
- ❖ Listing of HUD approved counseling agencies at:
<http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm>



HUD Approved Counseling Agencies



NSP Homebuyer Training

- ❖ **Topic 3: Qualifying the Homebuyer**
 - ❖ Homebuyer Forms
 - ❖ Intake Application
 - ❖ Income Eligibility
 - ❖ Income Eligibility VS Loan Qualification Income

Homebuyer Forms

- ❖ You may find the necessary Homebuyer Forms on the TDHCA website under the Texas Neighborhood Stabilization Program Forms library <http://www.tdhca.state.tx.us/nsp/forms.htm>
- ❖ Updates posted regularly – be sure you're using most current





Intake Application

- ❖ Use the Intake Application form
<http://www.tdhca.state.tx.us/pmcdocs/IntakeApplication.pdf>
- ❖ Form should be completed by applicant household
- ❖ All sections require an affirmative response
- ❖ Required for federal fund source – separate from loan application



Income Eligibility

Household Income Certification (HIC):

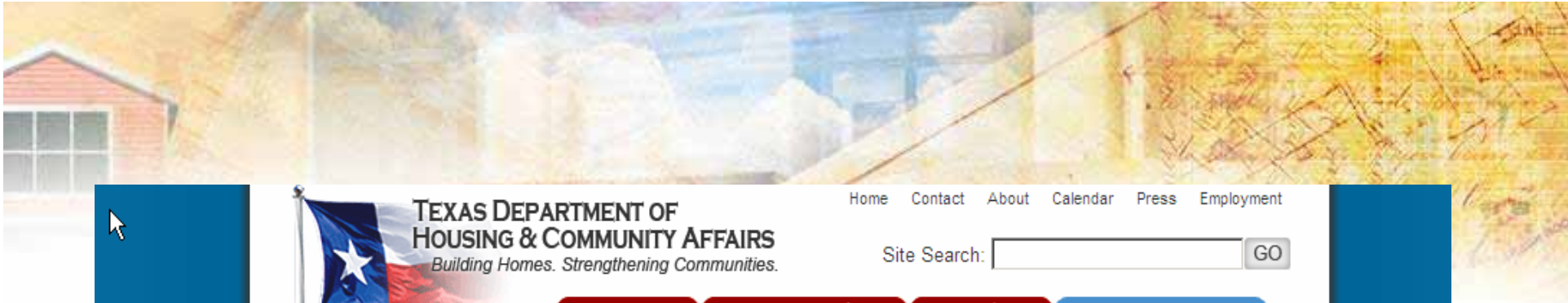
- ❖ Use Household Income Certification form <http://www.tdhca.state.tx.us/pmcdocs/03-IncomeCert-030124.pdf> or the NSP Homebuyer Workbook
- ❖ HUD Handbook 4350.3 or TDHCA 1st Thursday training
- ❖ Supporting Documentation




Income Eligibility

AMFI Income Limits

- ❖ Annual income calculation is used only to determine household eligibility to participate
- ❖ The AMFI used to determine borrower income eligibility is available on the TDHCA website at:
<http://www.tdhca.state.tx.us/pmcomp/irl/home-cdbg-nsp.htm>
- ❖ Two income levels for NSP
 - ❖ 120% or less of AMI = able to participate in NSP
 - ❖ 50% or less of AMI = setaside household, eligible for permanent mortgage financing



-  [PM & Compliance](#)
- [Income and Rent Limits](#)**
- [Housing Tax Credits](#)
- [Housing Trust Fund](#)
- [HOME, CDBG and NSP](#)
- [Tax Exempt Bond](#)
- [Archived Income and Rent Limits](#)

Free file viewers
(To view and print PDF, DOC, XLS, PPT and PPS files)

HOME, CDBG and NSP Income and Rent Limits

Below are current limits in place for maximum allowable incomes and rents for the HOME, CDBG and NSP Programs administered by the Department (Texas only). The maximum allowable income and rent limits are compiled on a county-by-county basis with the major Metropolitan Statistical Areas (MSAs) listed individually. The Department calculates income and rent limits based on figures provided by HUD. HUD updates the figures annually, usually in the first quarter of the year. The Department will post updated rent and income limits to this page as soon as possible after HUD releases the information.

HOME Income Limits

- [HOME, CDBG and NSP 2010 Income Limits \(XLS\)](#) (effective 6/26/2010)

HOME Rent Limits

- [2010 Fair Market Rent Limits – HOME TBRA Program \(PDF\)](#) or [\(XLS\)](#) (effective 10/1/2009 - published 10/26/2009)
- [HOME, CDBG and NSP 2010 Rent Limits \(XLS\)](#) (effective 6/26/2010)



| | A | B | C | D | E | F | G | H | I | J | K | L | M |
|----|--------------------------------|------------------|-----|-----------------------|----------|----------|-----------|----------|----------|----------|----------|---|---|
| 1 | Income Limits HOME 2010 | | | <u>Effective Date</u> | | | 6/26/2010 | | | | | | |
| 2 | HOME, CDBG and NSP | | | | | | | | | | | | |
| 3 | MSA | County | AMI | 1 Person | 2 Person | 3 Person | 4 Person | 5 Person | 6 Person | 7 Person | 8 Person | | |
| 4 | Abilene | Callahan County | 30 | 10850 | 12400 | 13950 | 15500 | 16750 | 18000 | 19250 | 20500 | | |
| 5 | | | 40 | 14480 | 16560 | 18640 | 20680 | 22360 | 24000 | 25680 | 27320 | | |
| 6 | | | 50 | 18100 | 20700 | 23300 | 25850 | 27950 | 30000 | 32100 | 34150 | | |
| 7 | | | 60 | 21720 | 24840 | 27960 | 31020 | 33540 | 36000 | 38520 | 40980 | | |
| 8 | | | 80 | 28950 | 33100 | 37250 | 41350 | 44700 | 48000 | 51300 | 54600 | | |
| 9 | | | 120 | 43450 | 49650 | 55850 | 62050 | 67000 | 71950 | 76950 | 81900 | | |
| 10 | Abilene | Jones County | 30 | 10850 | 12400 | 13950 | 15500 | 16750 | 18000 | 19250 | 20500 | | |
| 11 | | | 40 | 14480 | 16560 | 18640 | 20680 | 22360 | 24000 | 25680 | 27320 | | |
| 12 | | | 50 | 18100 | 20700 | 23300 | 25850 | 27950 | 30000 | 32100 | 34150 | | |
| 13 | | | 60 | 21720 | 24840 | 27960 | 31020 | 33540 | 36000 | 38520 | 40980 | | |
| 14 | | | 80 | 28950 | 33100 | 37250 | 41350 | 44700 | 48000 | 51300 | 54600 | | |
| 15 | | | 120 | 43450 | 49650 | 55850 | 62050 | 67000 | 71950 | 76950 | 81900 | | |
| 16 | Abilene | Taylor County | 30 | 10850 | 12400 | 13950 | 15500 | 16750 | 18000 | 19250 | 20500 | | |
| 17 | | | 40 | 14480 | 16560 | 18640 | 20680 | 22360 | 24000 | 25680 | 27320 | | |
| 18 | | | 50 | 18100 | 20700 | 23300 | 25850 | 27950 | 30000 | 32100 | 34150 | | |
| 19 | | | 60 | 21720 | 24840 | 27960 | 31020 | 33540 | 36000 | 38520 | 40980 | | |
| 20 | | | 80 | 28950 | 33100 | 37250 | 41350 | 44700 | 48000 | 51300 | 54600 | | |
| 21 | | | 120 | 43450 | 49650 | 55850 | 62050 | 67000 | 71950 | 76950 | 81900 | | |
| 22 | Amarillo | Armstrong County | 30 | 11950 | 13650 | 15350 | 17050 | 18450 | 19800 | 21150 | 22550 | | |
| 23 | | | 40 | 15960 | 18240 | 20520 | 22760 | 24600 | 26440 | 28240 | 30080 | | |
| 24 | | | 50 | 19950 | 22800 | 25650 | 28450 | 30750 | 33050 | 35300 | 37600 | | |
| 25 | | | 60 | 23940 | 27360 | 30780 | 34140 | 36900 | 39660 | 42360 | 45120 | | |
| 26 | | | 80 | 31850 | 36400 | 40950 | 45500 | 49150 | 52800 | 56450 | 60100 | | |

HUD Income Calculator

Homes & Communities

U.S. Department of Housing and Urban Development

Community Planning and Development

Affordable Housing Training

- **Instructor-led Training**
- **Web-based Training (HOME Front)**
- **Training Materials**

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Calculator

Welcome to HUD's Income & Allowances Calculator, an interactive tool that makes determining the income eligibility and assistance amounts for applicants to HUD programs as easy as 1-2-3. Simply enter the requested data and this calculator will work behind the scenes to generate a summary of results for each applicant. You can then print out the summary and include it as part of the applicant's file!

PLEASE ALLOW AT LEAST 15 MINUTES TO COMPLETE USING THE CALCULATOR FOR EACH APPLICANT. In order to ensure the privacy of applicants, the calculator does not remember any information once you leave this tool. If you do have to exit before completing the calculations for an applicant, please note or print out the information you have entered up to that point because **it will not be saved**.

 [Information by State](#)

 [Print version](#)

Calculating Income Eligibility Contents

- ▶ [General Requirements](#)
- ▶ [Three Definitions of Income](#)
- ▶ [Calculating Adjusted Income](#)
- ▶ [Calculating Assistance Amounts](#)
- ▶ [Calculator](#)

<http://www.hud.gov/offices/cpd/affordablehousing/training/web/calculator/calculator.cfm>



Whose Income Counts for Eligibility?

| Household Member | Employment Income | Other Income |
|-----------------------------|-------------------|--------------|
| Head | Yes | Yes |
| Spouse | Yes | Yes |
| Co-Head | Yes | Yes |
| Other Adult | Yes | Yes |
| Dependents (child under 18) | No | Yes |



NSP Borrower Income

- ❖ Eligibility Income v. Qualification Income
- ❖ Calculation may vary from Eligibility Determination
- ❖ Buyers may be income-eligible but not qualify for a loan
- ❖ Important to understand the difference, so that buyer expectations are realistic



NSP Borrower Income

- ❖ Use all verifiable income from all sources for all borrowers in qualification calculations
- ❖ Lump-sum payments, gifts, or student financial assistance are not income
- ❖ Documented payments received by the household that are expected to continue may be counted as income



NSP Borrower Income - Students

- ❖ If a full-time student (not head of household) is one of the borrowers, use all of their income in the qualification calculation
- ❖ Limitations for history



NSP Borrower Income – Foster Care Payments

- ❖ If the household has been caring for foster children, and can be reasonably expected to continue, payments may be added to income
- ❖ Payments are different from expense reimbursement



NSP Borrower Income – Co-Borrowers

- ❖ If an acceptable credit history for an occupying co-borrower cannot be established – only 30% of the total qualifying income for the loan can be from the co-borrowers income.
- ❖ Non-occupying co-borrowers are not allowed.



NSP Borrower Income – Nontaxable Income

- ❖ If a Borrower receives nontaxable income, it may be “grossed-up”
- ❖ Verification that income is not taxed
- ❖ Add 20% to nontaxable income only
 - ❖ Do not increase taxable income



NSP Borrower – Non-purchasing Spouse

- ❖ The income for a non-purchasing spouse is included in eligibility calculations, and excluded from borrower qualification



NSP Borrower – Self Employment Income

- ❖ To qualify for NSP Permanent Financing, applicants must prove that they have been in the same business for at least two years
- ❖ Income sufficient to meet mortgage obligation
 - ❖ Tax Returns
 - ❖ Profit and Loss statements



NSP Borrower - Debt-to-Income Ratios

- ❖ The calculated Qualification Income is used in all debt-to-income calculations
- ❖ Eligibility Income only establishes eligibility to participate, not level of participation



Whose Income Counts for Qualification?

| Members | Employment Income | Other Income |
|-----------------------------|-------------------|--------------|
| Head (Borrower) | Yes | Yes |
| Spouse | Maybe | Maybe |
| Co-Head | Maybe | Maybe |
| Other Adult | Maybe | Maybe |
| Dependents (child under 18) | No | No |



NSP Borrower Income Debt-to-Income Ratios

- ❖ Housing Payment Ratios
 - ❖ Added to NSP Homebuyer Financing Guidelines
 - ❖ Allow borrowers to maximize HBA
 - ❖ Prevent over-burdening households with housing payment
- ❖ Ratios differ by income level
- ❖ Compensating Factors allow for flexibility



NSP Borrower Income Debt-to-Income Ratios

Borrower at or below 50% AMI

- ❖ Maximum Housing Payment Ratio
 - ❖ 28% of gross monthly income
- ❖ With Compensating Factors
 - ❖ Maximum Housing Payment Ratio may increase to 32%
- ❖ Total Debt-to-income Ratio
 - ❖ Maximum 45%



NSP Borrower Income Debt-to-Income Ratios

Borrower at or below 120% AMI

- ❖ Maximum Housing Payment Ratio
 - ❖ 28-32% of gross monthly income
- ❖ Compensating Factors do not apply
- ❖ Total Debt-to-income Ratio
 - ❖ Maximum 45%



NSP Borrower Income Debt-to-Income Ratios

Compensating Factors

- ❖ Provide a tool to show the borrower is prepared for a higher housing payment
- ❖ Allows for an increase in the housing ratio



NSP Borrower Income Debt-to-Income Ratios

Compensating Factors

- ❖ Housing Expense Payments – borrower has demonstrated the ability to pay housing expense greater than or equal to the proposed payment
 - ❖ 12 months within the past 24
 - ❖ No decrease in income
 - ❖ Proposed payment may be equal to established payment



NSP Borrower Income Debt-to-Income Ratios

Combined Compensating Factors

- ❖ Borrower must demonstrate at least 2:
 - ❖ Accumulated savings equivalent to 3 months PITI after closing
 - ❖ Will pay off major debt within 4 months
 - ❖ Compensation not included in qualifying income



NSP Borrower Income Debt-to-Income Ratios

Combined Compensating Factors (continued)

- ❖ Borrower must demonstrate at least 2:
 - ❖ Minimal housing expense increase – 20% maximum
 - ❖ Income increase within 4 months sufficient to meet proposed payment (VOE)



NSP Homebuyer Training

- ❖ **Topic 4: Qualifying the Homebuyer**
 - ❖ Uniform Residential Loan Application
 - ❖ Credit Qualification



Income Eligibility

Income Eligibility Summary:

- ❖ The Intake application has been turned in and the Household Income Certification (HIC) completed to determine:
 - ❖ AMFI
 - ❖ HBA only or a combo of HBA/PMF has been determined
 - ❖ NOTE: HBA only can utilize the 3rd party lender 1003 and does not require a credit report

What's next?



NSP Homebuyer Training

What's next?

***Determine the homebuyers qualifications
for Permanent Financing.***



Uniform Residential Loan Application

(URLA or 1003)

- ❖ NOTE: *HBA only can utilize the 3rd party lender 1003 and does not require a credit report*
- ❖ Completion of the 1003 by the homebuyer or with help from subrecipient
- ❖ Face-to-face interviews *(helps qualify the homebuyer)*
- ❖ Red Flags
- ❖ Tell the underwriter a story



Uniform Residential Loan Application

An NSP Fairy Tale

*“The loan file needs to tell a story...
...but it should not be a mystery”*



Uniform Residential Loan Application

3 minute Loan Application Exercise:

- ❖ Break up into small groups of two to four people

III. Borrower Information

What questions would you ask Mickey and Minnie?

| Borrower | | III. BORROWER INFORMATION | | | | Co-Borrower | | | |
|--|--|--|-------------|--|--|--|-------------|--|--|
| Borrower's Name (include Jr. or Sr. if applicable) Mickey C. Mouse | | | | Co-Borrower's Name (include Jr. or Sr. if applicable) Minnie S. Mouse | | | | | |
| Social Security Number 555-55-5555 | Home Phone (incl. area code) 512-555-5555 | DOB (MM/DD/YYYY) 11/18/1928 | Yrs. School | Social Security Number 555-55-5555 | Home Phone (incl. area code) 512-555-5555 | DOB (MM/DD/YYYY) 07/01/1929 | Yrs. School | | |
| <input checked="" type="checkbox"/> Married <input type="checkbox"/> Separated | <input type="checkbox"/> Unmarried (include single, divorced, widowed) | Dependents (not listed by Co-Borrower) no. _____ ages _____ | | <input checked="" type="checkbox"/> Married <input type="checkbox"/> Separated | <input type="checkbox"/> Unmarried (include single, divorced, widowed) | Dependents (not listed by Borrower) no. 2 _____ ages 13, 16 | | | |
| Present Address (street, city, state, ZIP) 456 Goofy Lane Austin, TX 78750 | | | | Present Address (street, city, state, ZIP) | | | | | |
| <input type="checkbox"/> Own <input checked="" type="checkbox"/> Rent <u>6</u> mth _____ No. Yrs. | | | | <input type="checkbox"/> Own <input checked="" type="checkbox"/> Rent _____ No. Yrs. | | | | | |
| Mailing Address, if different from Present Address | | | | Mailing Address, if different from Present Address | | | | | |
| <i>If residing at present address for less than two years, complete the following:</i> | | | | | | | | | |
| Former Address (street, city, state, ZIP) <input type="checkbox"/> Own <input checked="" type="checkbox"/> Rent _____ No. Yrs. | | | | Former Address (street, city, state, ZIP) <input type="checkbox"/> Own <input checked="" type="checkbox"/> Rent _____ No. Yrs. | | | | | |

Borrower

IV. EMPLOYMENT INFORMATION

Co-Borrower



Underwriting Guidelines

- ❖ **Residence History:**

- ❖ Complete two years of residence history

- ❖ **Alimony, Child Support, or Separate Maintenance income:**

- ❖ Income to continue for a minimum of 3 years
 - ❖ Evidence of last 12 months receipt or 4 months with recent divorce

IV. Employment Information

What questions would you ask regarding employment history?

| Borrower | | IV. EMPLOYMENT INFORMATION | | Co-Borrower | |
|--|--|---|---------------------------------|--|---|
| Name & Address of Employer Cinderella's Castle 1010 Fantasia Lane Austin, TX 78731 | <input type="checkbox"/> Self Employed | Yrs. on this job 2.0 | Name & Address of Employer | <input type="checkbox"/> Self Employed | Yrs. on this job |
| | | Yrs. employed in this line of work/profession 70.0 | | | Yrs. employed in this line of work/profession |
| Position/Title/Type of Business Sorcerer's Apprentice | Business Phone (incl. area code) (512) 555-5555 | | Position/Title/Type of Business | Business Phone (incl. area code) | |
| <i>If employed in current position for less than two years or if currently employed in more than one position, complete the following:</i> | | | | | |
| Name & Address of Employer | <input type="checkbox"/> Self Employed | Dates (from – to) | Name & Address of Employer | <input type="checkbox"/> Self Employed | Dates (from – to) |
| | | Monthly Income \$ | | | Monthly Income \$ |
| Position/Title/Type of Business | Business Phone (incl. area code) | | Position/Title/Type of Business | Business Phone (incl. area code) | |
| Name & Address of Employer | <input type="checkbox"/> Self Employed | Dates (from – to) | Name & Address of Employer | <input type="checkbox"/> Self Employed | Dates (from – to) |
| | | Monthly Income \$ | | | Monthly Income \$ |

IV. Employment Information

Create notes on the loan application to lead the underwriter through the story.

| Borrower | | IV. EMPLOYMENT INFORMATION | | Co-Borrower | |
|--|--|---|---|--|---|
| Name & Address of Employer Cinderella's Castle 1010 Fantasia Lane, Austin, TX 78731 (80 year apprenticeship) ← | <input type="checkbox"/> Self Employed | Yrs. on this job 2.0 | Name & Address of Employer House wife | <input type="checkbox"/> Self Employed | Yrs. on this job 5.0 |
| | | Yrs. employed in this line of work/profession 70.0 | | | Yrs. employed in this line of work/profession |
| Position/Title/Type of Business Sorcerer's Apprentice | Business Phone (incl. area code) (512) 555-5555 | | Position/Title/Type of Business | Business Phone (incl. area code) | |
| <i>If employed in current position for less than two years or if currently employed in more than one position, complete the following:</i> | | | | | |
| Name & Address of Employer | <input type="checkbox"/> Self Employed | Dates (from – to) | Name & Address of Employer | <input type="checkbox"/> Self Employed | Dates (from – to) |
| | | Monthly Income \$ | | | Monthly Income \$ |
| Position/Title/Type of Business | Business Phone (incl. area code) | | Position/Title/Type of Business | Business Phone (incl. area code) | |



Underwriting Guidelines

Employment:

- ❖ A two year average of income for:
 - ❖ Overtime/bonus income
 - ❖ Seasonal
 - ❖ Part-time
 - ❖ Employment paid in cash
 - ❖ Self-employment

Please see the underwriting guidelines for additional information

V. Monthly Income

- ❖ Example of detailed notes regarding child support with a “C” indicating co-borrower income.

| V. MONTHLY INCOME AND COMBINED HOUSING EXPENSE INFORMATION | | | | | | |
|---|--------------------|------------------|--------------------|----------------------------------|------------------|----------------|
| Gross Monthly Income | Borrower | Co-Borrower | Total | Combined Monthly Housing Expense | Present | Proposed |
| Base Empl. Income* | \$ 2,250.00 | \$ | \$ 2,250.00 | Rent | \$ 870.00 | |
| Overtime | | | 0.00 | First Mortgage (P&I) | | \$ |
| Bonuses | | | 0.00 | Other Financing (P&I) | | |
| Commissions | | | 0.00 | Hazard Insurance | | |
| Dividends/Interest | | | 0.00 | Real Estate Taxes | | |
| Net Rental Income | | | 0.00 | Mortgage Insurance | | |
| Other (before completing, see the notice in "describe other income," below) | | 500.00 | 500.00 | Homeowner Assn. Dues | | |
| | | | | Other: | | |
| Total | \$ 2,250.00 | \$ 500.00 | \$ 2,750.00 | Total | \$ 870.00 | \$ 0.00 |

* Self Employed Borrower(s) may be required to provide additional documentation such as tax returns and financial statements.

Describe Other Income *Notice:* Alimony, child support, or separate maintenance income need not be revealed if the Borrower (B) or Co-Borrower (C) does not choose to have it considered for repaying this loan.

| B/C | | Monthly Amount |
|-----|---|----------------|
| c | Child Support with continuance greater than three years for 13 yr old dependent | \$ 500.00 |
| | | |
| | | |



Underwriting Guidelines

Other sources of Income:

- ❖ Social Security Disability
 - ❖ Award letter or bank statements
- ❖ Retirement/Pension
 - ❖ Third party source
- ❖ Interest Dividend or Annuity Income
 - ❖ Two most recent bank statements
 - ❖ Continuance for a minimum of 3 years

V. Combined Housing Expense

❖ Compensating Factors?

| SING EXPENSE INFORMATION | | |
|----------------------------------|------------------|----------------|
| Combined Monthly Housing Expense | Present | Proposed |
| Rent | \$ 870.00 | |
| First Mortgage (P&I) | | \$ |
| Other Financing (P&I) | | |
| Hazard Insurance | | |
| Real Estate Taxes | | |
| Mortgage Insurance | | |
| Homeowner Assn. Dues | | |
| Other: | | |
| Total | \$ 870.00 | \$ 0.00 |

returns and financial statements.

e need not be revealed if the
ve it considered for repaying this loan.

| | Monthly Amount |
|---------|----------------|
| pendent | \$ 500.00 |
| | |
| | |

VI. Assets

- ❖ Escrow account
- ❖ Bank accounts

| ASSETS | Cash or Market Value |
|---|----------------------|
| Description | |
| Cash deposit toward purchase held by: Duckburg Title Co. | \$ 500.00 |
| <i>List checking and savings accounts below</i> | |
| Name and address of Bank, S&L, or Credit Union First Disney Bank checking | |
| Acct. no. 67246 | \$ 600.00 |
| Name and address of Bank, S&L, or Credit Union First Disney Bank savings | |
| Acct. no. 672461 | \$ 1,200.00 |

VI. Liabilities

- ❖ Fill out the liabilities section prior to pulling the credit report

Liabilities and Pledged Assets. List the creditor's name, address and account number for all outstanding debts, including automobile loans, revolving charge accounts, real estate loans, alimony, child support, stock pledges, etc. Use continuation sheet, if necessary. Indicate by (*) those liabilities which will be satisfied upon sale of real estate owned upon refinancing of the subject property.

| LIABILITIES | Monthly Payment & Months Left to Pay | Unpaid Balance |
|--|--------------------------------------|----------------|
| Name and address of Company First Disney Bank Mastercard | \$ Payment/Months 20.00 | \$ 200.00 |
| Acct. no. | | |
| Name and address of Company Scrooge McDuck's Used Cars | \$ Payment/Months 400.00 | \$ 5,000.00 |
| Acct. no. | | |

VI. Schedule of Real Estate Owned

❖ What would you ask regarding real estate owned?

| VI. ASSETS AND LIABILITIES (cont.) | | | | | | | |
|---|------------------|----------------------|-----------------------------|---------------------|-------------------|---------------------------------------|-------------------|
| Schedule of Real Estate Owned (If additional properties are owned, use continuation sheet.) | | | | | | | |
| Property Address (enter S if sold, PS if pending sale or R if rental being held for income) | Type of Property | Present Market Value | Amount of Mortgages & Liens | Gross Rental Income | Mortgage Payments | Insurance, Maintenance, Taxes & Misc. | Net Rental Income |
| Condo Disney Land, FL | | \$ 20,000 | \$ | \$ | \$ | \$ | \$ |
| | | | | | | | |
| | | | | | | | |
| | Totals | \$ 20,000 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |

List any additional names under which credit has previously been received and indicate appropriate creditor name(s) and account number(s):

| Alternate Name | Creditor Name | Account Number |
|----------------|---------------|----------------|
| | | |
| | | |

VIII. Declarations

What answers do you see that warrant further investigation?

| VIII. DECLARATIONS | | | | |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| If you answer "Yes" to any questions a through i, please use continuation sheet for explanation. | Borrower | | Co-Borrower | |
| | Yes | No | Yes | No |
| a. Are there any outstanding judgments against you? | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| b. Have you been declared bankrupt within the past 7 years? | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| c. Have you had property foreclosed upon or given title or deed in lieu thereof in the last 7 years? | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| d. Are you a party to a lawsuit? | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| e. Have you directly or indirectly been obligated on any loan which resulted in foreclosure, transfer of title in lieu of foreclosure, or judgment? <small>(This would include such loans as home mortgage loans, SBA loans, home improvement loans, educational loans, manufactured (mobile) home loans, any mortgage, financial obligation, bond, or loan guarantee. If "Yes," provide details, including date, name and address of Lender, FHA or VA case number, if any, and reasons for the action.)</small> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| f. Are you presently delinquent or in default on any Federal debt or any other loan, mortgage, financial obligation, bond, or loan guarantee? <small>If "Yes," give details as described in the preceding question.</small> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| g. Are you obligated to pay alimony, child support, or separate maintenance? | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| h. Is any part of the down payment borrowed? | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| i. Are you a co-maker or endorser on a note? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| ----- | | | | |
| j. Are you a U.S. citizen? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| k. Are you a permanent resident alien? | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| l. Do you intend to occupy the property as your primary residence? <small>If "Yes," complete question in below.</small> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| m. Have you had an ownership interest in a property in the last three years? | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

VI. Liabilities

Insert notes on the application to tell the underwriter the story

| LIABILITIES | Monthly Payment & Months Left to Pay | Unpaid Balance |
|--|--------------------------------------|----------------|
| Name and address of Company First Disney Bank Mastercard | \$ Payment/Months 20.00 | \$ 200.00 |
| Acct. no. | | |
| Name and address of Company Scrooge McDuck's Used Cars | \$ Payment/Months 400.00 | \$ 5,000.00 |
| Acct. no. | | |
| Name and address of Company Documentation attached evidencing student loan repayment plan | \$ Payment/Months 30 | \$ 1,500.00 |
| Acct. no. | | |
| Name and address of Company Documentation attached supporting elimination of co-signed liability pmt of \$350 | \$ Payment/Months | \$ |



Uniform Residential Loan Application

Loan Application Summary:

- ❖ The applicant has been verbally qualified for:
 - ❖ Employment history
 - ❖ Income stability
 - ❖ Assets
 - ❖ Debts (including creditor debts not reported on the credit)
- ❖ And other NSP Homebuyer Financing Guidelines



Credit Underwriting Requirements

What's next?

***Determine the applicants qualifications
for the NSP credit underwriting
guidelines.***



Credit Underwriting Requirements

Tri-Merge Credit Report:

- ❖ The credit report must be requested by the subrecipient or TDHCA
- ❖ No older than 90 days from the date of closing
- ❖ And should include:
 - ❖ Applicant's complete name(s), social security number and current address
 - ❖ All revolving/installment accounts with outstanding current balances together with minimum monthly payment
 - ❖ Public records for the last 24 months



Credit Underwriting Requirements

❖ **Credit Scores:**

- ❖ A credit score of 620 or higher is preferred.
- ❖ Credit scores under 560 will not be considered.
- ❖ Credit scores between 560-619 must have re-established credit

❖ **Liabilities:**

- ❖ Installment monthly payments
- ❖ Revolving credit



Credit Underwriting Requirements

- ❖ **Collection account(s)**
 - ❖ An aggregate amount not to exceed \$2,500
- ❖ **Bankruptcy**
 - ❖ Discharged at least two years
- ❖ **Foreclosure**
 - ❖ Must be at least three years old



Credit Underwriting Requirements

- ❖ **Judgments, Law suits, & Liens**
 - ❖ Must be paid in full prior to closing
- ❖ **Delinquent Federal, State or Local Debt**
 - ❖ Not eligible for NSP financing.



Credit Underwriting Requirements

We've gotten this far through the fairy tale with obstacles like:

- ❖ **Delinquent student loans**
- ❖ **Child support income; and**
- ❖ **Co-signed loans**



**Minnie's credit does not
meet the credit guidelines...**



**...Don't lose hope,
this is an NSP Fairy Tale!**



Credit Underwriting Requirements

There can only be three reasons Minnie's credit does not qualify:

1. The lack of credit; or
2. Derogatory credit; or
3. Lack of Social Security number



Credit Underwriting Requirements

Non Traditional Credit Qualification:

- ❖ Limited credit:
 - ❖ minimum of 3 trade lines with 12 months history
- ❖ No credit history
- ❖ Primary Alternative Sources:
 - ❖ Rental Housing
 - ❖ Utility Companies:
 - ❖ Gas, Electric, water, cable-TV and landline phones



Credit Underwriting Requirements

Occupying Co-Borrower:

- ❖ Up to 30% of the total qualifying repayment income for the mortgage loan may be represented by the stable and continuing income of an occupying co-borrower
- ❖ ***Non occupying co-borrowers or co-signers are not allowed.***

***\$2,000 (qualifying income) / 70% - \$2,000(QI) =
\$857.14 Max non-qualifying income***



Credit Underwriting Requirements

- ❖ Derogatory credit; or
- ❖ No Social security number
 - ❖ Non-purchasing spouse:
The income for a non-purchasing spouse is excluded in loan qualification calculations but the debts are included



Credit Underwriting Requirements

Summary:

- ❖ Credit has been pulled and reviewed for:
 - ❖ Confirmation of debts
 - ❖ Potential errors
 - ❖ Credit score
 - ❖ Payment history; and
 - ❖ Other NSP credit underwriting guidelines



Credit Underwriting Requirements

What's next?

Determine the amount of home loan that is affordable for the applicant without any hardship.



NSP Homebuyer Workbook

Sections of the Homebuyer Loan Qualification and Set-up Workbook :

- ❖ The Household Income Certification (HIC)
- ❖ Homebuyer Qualification Worksheet & Loan Summary
- ❖ HBA Assistance

Homebuyer Loan Qualification Worksheet

Fill in the form by entering the information in the yellow boxes

**Neighborhood Stabilization Program
Homebuyer Loan Qualification Worksheet**

| | | | |
|--------------------------------|-------------|--|------------|
| Set-up Date: | 11/15/2010 | Purchase Contract closing date: <i>(Minimum 30 days from Set-up Date)</i> | 12/15/2010 |
| Contract Number: | 77090000500 | | |
| Contract Administrator: | Disney Land | | |

PART I. BORROWER INFORMATION

Note: Incorrect names will delay closing! Review the credit report for AKA's

| | |
|-------------------------|---|
| Borrower Legal Name: | Mickey C. Mouse |
| All Known Alias(s): | Mickey Clyde Mouse |
| Co-Borrower Legal Name: | Minnie S. Mouse |
| All Known Alias(s): | Minnie Sylvia Mouse, Minnie Sylvia Duck |
| Marital Status: | Married |

Homebuyer Loan Qualification Worksheet

Scroll to the bottom to see the first lien loan amount...

DEBTS AND OBLIGATIONS

| Account Description | |
|-------------------------------|-----------------|
| Mastercard | \$20.00 |
| car pmt | \$400.00 |
| | \$0.00 |
| | \$0.00 |
| Total Installment Debt | \$420.00 |
| Child Support | \$ - |
| All Other Creditor Payments | \$ - |
| Total Fixed Payments | \$420.00 |

PROPOSED MONTHLY PAYMENTS

| | |
|------------------------------------|-----------------|
| Maximum Mortgage P&I | \$507.50 |
| HOA Fees | \$50.00 |
| Hazard Insurance | \$60.00 |
| Property Taxes | \$200.00 |
| Max First lien Mortgage PMT | \$817.50 |

LOAN TERMS

| | | | |
|-----------------|----|---------------|-------|
| Loan Term (yrs) | 30 | Interest Rate | 0.00% |
|-----------------|----|---------------|-------|

MAXIMUM FIRST LIEN MORTGAGE LOAN AMOUNT

\$182,700.00

HBA ASSISTANCE (carried over from HBA Worksheet)

TOTAL NSP ASSISTANCE

...It's that easy!

HBA Assistance Worksheet

Check one of the two boxes below:

Applicant Name: Mickey C. Mouse
 Date: 11/15/2010 GFE or Final: GFE

Type of Assistance

NSP Down Payment Assistance only

NSP Mortgage & Down Payment Assistance

| Due From Buyer | | Buyers Available Funds (Non-NSP) | |
|---|-----------|----------------------------------|-----------|
| Sales Price: | \$100,000 | Max Qualified Loan Amount: | \$100,000 |
| Closing Costs & Pre-paid Expenses: | | Earnest Money: | |
| Total: | | Buyer Downpayment balance: | |
| | | Seller Contribution: | |
| | | Other Funds: | |
| Lender Required Downpayment: | \$10,000 | Subtotal | |
| 50% of downpayment paid by NSP | | | |
| 50% downpayment from Buyer/other sources <i>(\$500 min down payment requirement)</i> | | Buyer Demonstrated Need | |
| | | Total Available Funds | |



HBA Assistance Worksheet

Down Payment Assistance only view:



HBA Assistance Worksheet

NSP Mortgage & Down Payment Assistance view:

HBA Assistance Worksheet

Closing cost:

| ELIGIBLE Costs & Expenses | HBA Eligible (GFE) | HBA Funded (Final HUD1) |
|---|--------------------|-------------------------------|
| Origination fee (1% of base loan amt. limit) | | |
| Other loan fees (1% of total loan amt. limit) | | |
| Appraisal fee | \$ 325.00 | \$ 325.00 |
| Property Taxes 12/15/2010-01/01/2011 | \$ 200.00 | \$ 103.23 |
| Hazard Insurance (14 month limit) | \$ 950.00 | \$ 840.00 |
| Flood Insurance (14 month limit) | | |
| Escrow/closing fees | \$ 150.00 | \$ 150.00 |
| Document Prep | | |
| Attorney fees | | |
| Title Insurance Owner Policy | | seller's expense per contract |
| Title Insurance Lender Policy | \$ 150.00 | \$ 150.00 |
| Courier fee | \$ 45.00 | \$ 65.00 |
| Fed Ex/UPS fee | | |
| Delivery/messenger fee | | |
| Recording fee | \$ 200.00 | \$ 150.00 |
| Tax Service Fee | \$ 60.00 | \$ 54.13 |
| Tax Deletion | | |
| Survey | \$ 350.00 | \$ 300.00 |
| Trec Inspection | \$ 300.00 | \$ 250.00 |
| Other Fees: (describe) | | |
| HQS Repairs | | |
| Subtotal | \$ 2,730.00 | \$ 2,387.36 |

Homebuyer Loan Qualification Worksheet

Total Eligible NSP Assistance:

| | | | |
|--------------|------------|----------|------------|
| Other Income | | | \$0.00 |
| Total Income | \$2,250.00 | \$500.00 | \$2,750.00 |

| | | |
|----------------------------|-----|------------|
| Mortgage PMT to Income Max | 30% | \$825.00 |
| Total Debt to Income Max | 45% | \$1,237.50 |

DEBTS AND OBLIGATIONS

| Account Description | |
|-----------------------------|----------|
| Mastercard | \$20.00 |
| car pmt | \$400.00 |
| | \$0.00 |
| | \$0.00 |
| Total Installment Debt | \$420.00 |
| Child Support | \$ - |
| All Other Creditor Payments | \$ - |
| Total Fixed Payments | \$420.00 |

PROPOSED MONTHLY PAYMENTS

| | |
|-----------------------------|----------|
| Maximum Mortgage P&I | \$507.50 |
| HOA Fees | \$50.00 |
| | |
| Hazard Insurance | \$60.00 |
| Property Taxes | \$200.00 |
| Max First lien Mortgage PMT | \$817.50 |

LOAN TERMS

| | | | |
|-----------------|----|---------------|-------|
| Loan Term (yrs) | 30 | Interest Rate | 0.00% |
|-----------------|----|---------------|-------|

| | |
|---|---------------------|
| MAXIMUM FIRST LIEN MORTGAGE LOAN AMOUNT | \$182,700.00 |
| HBA ASSISTANCE (carried over from HBA Worksheet) | \$19,187.36 |
| TOTAL NSP ASSISTANCE | \$201,887.36 |



NSP Homebuyer Workbook

Completing the interview and application process:

- ❖ **Make copies:**

- ❖ Pay stubs, Bank statements, W-2's, etc.

- ❖ **Sign forms:**

- ❖ Intake Application, HIC, 1003, Patriot Act (*copy of D.L. & S.S. card*)

- ❖ *Send them out to pick a house!*



NSP Homebuyer Training

The homebuyer is under contract...

...Now what?



NSP Homebuyer Training

❖ Topic 5: Processing and Submitting the Homebuyer Setup



Loan Processing

Property Eligibility requirements include:

- ❖ TREC and HQS Inspections
- ❖ Appraisal
- ❖ Survey
- ❖ Title Commitment
- ❖ Environmental Review



Loan Processing

Confirming Homebuyer Eligibility includes:

- ❖ **Verification of Employment (VOE):**
 - ❖ A minimum work history of two years full-time employment *must be verified*.
- ❖ **Verification of Rent (VOR):**
 - ❖ A twelve month period is required on all applicants
- ❖ **Verification of Deposit (VOD):**
 - ❖ if necessary



NSP Homebuyer Set-Up

- ❖ **Allow sufficient time for processing**
- ❖ **Ensure that the project is ready for setup**
- ❖ **All eligibility and loan factors have been verified**
- ❖ **Complete information in the Homebuyer Workbook**
 - ❖ Make necessary corrections from initial qualification
 - ❖ Attach workbook in Excel format
- ❖ **Eligibility forms VS Loan Qualification forms**
 - ❖ Different income calculations on various forms



NSP Homebuyer Set-Up

- ❖ **Data entry of homebuyer info in the HCS**
- ❖ **Support Documentation & Necessary Forms**
 - ❖ Paperwork must verify the data submitted
 - ❖ Invoices
 - ❖ Include Necessary Forms (*Title Company Payee ID Application*)
- ❖ **Electronically attach the support documentation**
 - ❖ Attach at Activity level
 - ❖ Submit PDF in stacking order
 - ❖ Set-up part 1, set-up part 2, etc.
- ❖ **Email nsphbdocs@tdhca.state.tx.us**



NSP Homebuyer Set-Up

- ❖ **Final Review by TDHCA**

- ❖ Something is missing, incorrect, or incomplete:

- If documentation submitted with a Setup Request is deficient, it will be returned to the CA and Setup will be disapproved in the Contract System

- ❖ Additional Support Documentation may be required

- ❖ **Final Approval by TDHCA**

- ❖ **Mickey and Minnie have underwriting approval!**



NSP Homebuyer Training

❖ Topic 6: Closing and Funding Draws



Table Funding Draws

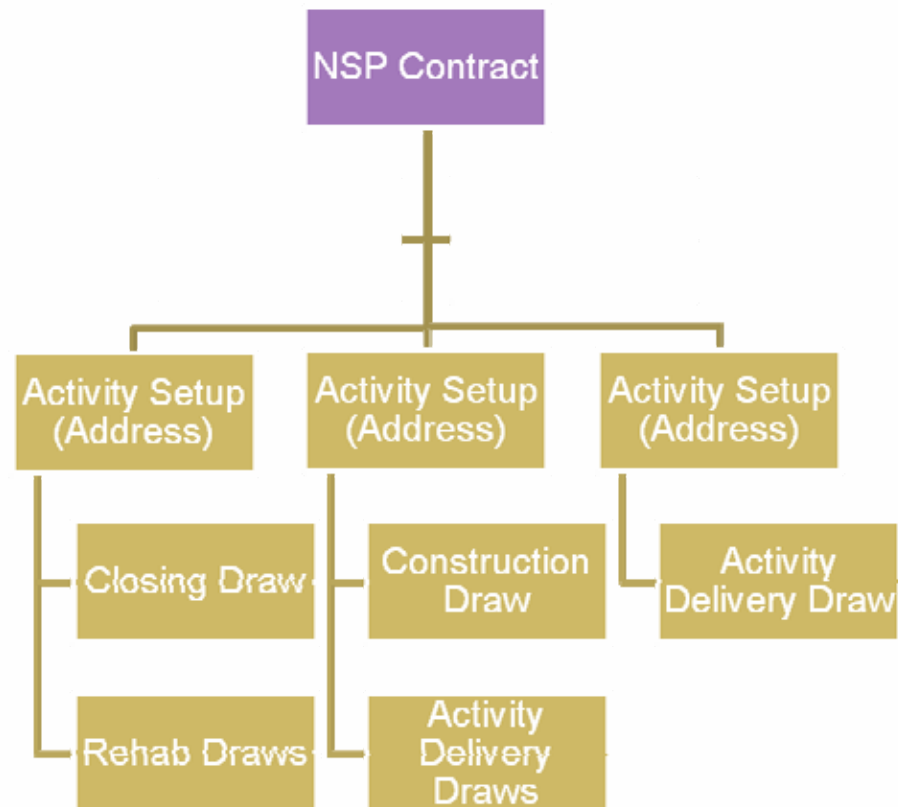
- ❖ **What are “Table Funding” Draw Requests?**
- ❖ Process for requesting the transfer of funds to be wired to Title for closing



Closing and Funding Draws

- ❖ **Allow sufficient time for processing**
- ❖ **Complete information in the Homebuyer Workbook**
 - ❖ Complete Loan Closing information section
 - ❖ Confirm final loan amounts and closing cost
 - ❖ Attach in Excel format
- ❖ **Enter request on HCS at the “Draw” level**
- ❖ **Attach support documents to draw request**
- ❖ **Funds will not be released until all closing documents have been approved**

TDHCA Housing Contract System (HCS)



HBA Closing Draw – Checklist

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Neighborhood Stabilization Program

| DRAW REQUEST Checklist for Closing Funds | | |
|--|--------------------------|------------------------------|
| Contract Administrator Magic Kingdom Affordable Housing Corporation | | |
| Contract # 77090000800 | Activity # 800150 | Closing Date 12/30/10 |
| Acquisition Amount | \$ \$27,000.00 | |
| Closing Costs (activity delivery) | \$ | |
| Reimbursement (POC) (activity delivery) | \$ | |
| Seller Credits (-) | \$ | |
| Prorated taxes/other (+/-) | \$ | |
| Total Draw Amount | \$ \$27,000.00 | |
| Payee White Title Company | | |
| Borrower: Mickey and Minnie Mouse | | |
| Property Address: 123 Small World Drive, Magic Kingdom, FL | | |

PMF Closing Draw – Checklist

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Neighborhood Stabilization Program**

| DRAW REQUEST Checklist for Closing Funds | | |
|--|--------------------------|------------------------------|
| Contract Administrator Magic Kingdom Affordable Housing Corporation | | |
| Contract # 77090000800 | Activity # 800150 | Closing Date 12/30/10 |
| Acquisition Amount | \$ 127,000.00 | |
| Closing Costs (activity delivery) XXXXXXXXXX | \$ 3,000.00 | |
| Reimbursement (POC) XXXXXXXXXX | \$ 500.00 | |
| Seller Credits (-) | \$ | |
| Prorated taxes/other (+/-) | \$ 2,500.00 | |
| Total Draw Amount | \$ 6,000.00 | |
| Payee White Title Company | | |
| Borrower: Mickey and Minnie Mouse | | |
| Property Address: 123 Small World Drive, Magic Kingdom, FL | | |



Closing Draws – Documentation

| CA | Required Supporting Documents | NSP |
|--------------------------|--|--------------------------|
| <input type="checkbox"/> | Title Company: Application for Texas Identification Number (at least 2 weeks prior to funding) | <input type="checkbox"/> |
| <input type="checkbox"/> | Title Company: Letter to Comptroller | <input type="checkbox"/> |
| <input type="checkbox"/> | Borrower's Authorization Letter | <input type="checkbox"/> |
| <input type="checkbox"/> | Preliminary HUD-1 <i>If available – or 1st Lien Lender GFE</i> | <input type="checkbox"/> |

Letter to Comptroller should be on Title Company letterhead – attach electronic copy to draw request, original should be sent directly to Comptroller



Contact Information

Texas Department of Housing and Community Affairs

211 E. 11th Street

Austin, TX 78701

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