LAKE WORTH

COMMUNITY REDEVELOPMENT AGENCY

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MEMORANDUM

TO: Chair, Vice-Chair and Members of the Board

FROM: Joan Oliva, Executive Director

DATE: January 13, 2015

SUBJECT: Change in NSP Beneficiary Policy

EXPLANATION:
The NSP-2 policies and procedure manual was produced and brought to the CRA Board for review and approval in January 2010. These policies were developed or included to ensure that our program met established federal housing standards and to make the process consistent and fair. In 2012 the Board approved an update and the addition of certain policies, including Fair Housing, Conflict of Interest and the inclusion of Criminal Background checks. This month, the Board is being asked to review and approve an updated Beneficiary issue policy to accommodate changes in Habitats policies.

A copy of the new policy with Habitat's changes (underlined) is included as Exhibit "**A**." A memo, explaining the need to change the beneficiary policy, as it relates to Habitat, is included as Exhibit **"B."** Habitat is also asking that this change in policy be retroactive. A home was closed in December with a second mortgage given to the buyer that exceeds the current parameters.

RECOMMENDATION:
Staff recommends the Board approve the new NSP Beneficiary Policy to include Habitat's changes. Staff recommends the new policy be retroactive to include the closing conducted by Habitat in December of 2014.

Exhibit A

POLICY	Admin 1.5
POLICY NAME	Amendment to Beneficiary Issues
EFFECTIVE DATE	January 14, 2010 amended March 16, 2012 further amended
BOARD OF DIRECTOR APPROVAL	

BENEFICIARY ISSUES

Income eligibility will be based on the most current AMI for the West-Palm Boca MSA according to HUD.

FY 2014 Median Family Income $63,300
(HOME up to 80%; State, SHIP, NSP up to 120%)

Number of Persons in Household	Extremely Low Income (30%)	Very Low Income (50%)	Low Income (80%)	Moderate Income (120%)
1	$13,750.00	$22,900.00	$36,650.00	$54,850.00
2	$15,730.00	$26,150 .00	$41,850.00	$62,700.00
3	$19,790.00	$29,400.00	$47,100.00	$70,500.00
4	$23,850.00	$32,650.00	$52,300.00	$78,350.00
5	$27,910.00	$35,300.00	$56,500.00	$84,650.00
6	$31,970.00	$37,900.00	$60,700.00	$90,900.00
7	$36,030.00	$40,500.00	$64,900.00	$97,150.00
8	$40,090.00	$43,100.00	$69,050.00	$103,450.00

Applicants can only be assigned homes once they have qualified for the program and after an initial meeting with a lending institution. Homes are assigned on a first come, first approved basis. If a tie exists, then preference points will be given, if applicable. A home is not officially assigned until a contract is underway between the partner and the applicant. Homes will not be held for households who do not make a concerted effort to find financing. If an applicant qualifies for the program but does not secure financing and another applicant qualifies after the first applicant but receives approval for financing, the latter applicant will be given the choice of unit if both are interested in the same property.

Mortgage Qualification

For mortgage they need to be able to qualify under the Freddie Mac guidelines for a 1st mortgage. No current bankruptcies, foreclosures and a beginning credit score of at least 550. We can help them correct problems with their credit when we meet with them but they will need a 620 to 640 credit score to close a loan. In order to close on a Habitat for Humanity of Palm Beach County home, the applicant must have a minimal credit score of 580. As a guideline, their total debt with a housing payment cannot be more that 50% of their income. As a guideline, Habitat for Humanity of Palm Beach County total debt with a housing payment cannot be more that 40% of their income.

Affordability Periods

The HOME affordability/resale period for new houses that will be used for homeownership where the amount of HOME (NSP) funds is greater than $40,000 is 15 years.

The HOME affordability/resale period for the new construction of rental housing where the amount of HOME (NSP) funds is greater than $40,000 is 20 years.

The affordability/resale period for houses that are rehabilitated where the amount of HOME (NSP) funds is greater than $40,000, whether for homeownership or rental, is 15 years.

So, if the new house will be sold for homeownership and more than $40,000 in HOME (NSP) funds are invested the affordability/resale period is 15 years and if it will be used as rental property the restriction is 20 years; and if the house is an existing house that is rehabilitated the affordability/resale period is 15 years.

Preference Ranking – Applicants will receive preference based on the following criteria:

5 points for being at or below 50% of AMI

1 point for being first responder

1 point for working for the City of Lake Worth

2 points for working or residing in Lake Worth

1 point for applying for IDA program

1 point for approved Artist designation

Other qualifications

- The head of household must legally reside in the U.S. (includes green card asylum and a few other things).
- Must not currently be a homeowner
- Habitat for Humanity of Palm Beach County applicants must be a first time homebuyer.
- Must be at or below 120% of AMI
- Homes larger than 2-bedroom should have a minimum of one person per bedroom and a maximum of 2 people per bedroom. However, single member households will not automatically be disqualified from multi bedroom units especially if no waiting line exists for homes with more than two bedrooms. Preference will be given, however, to provide multi bedroom units to households with more than one or two persons due to existing inventory.
- Additional priorities and requirements may be put in place by Consortia partners
- Priority is given to the applicant for the first chosen property only. If the applicants first choice is no longer available, they move in line behind other applicants for their second choice.

Seller Concessions

All applicants will be able to receive up to 6% towards closing costs to be paid by the Seller. This percentage reduces to 3% for those who qualify for FHA mortgages. No closing cost assistance will be available for beneficiaries who qualify for alternative financing – such as zero percent mortgages provided by Habitat for Humanity.

Additional funding may be available in the form of a second mortgage for those beneficiaries who cannot meet the standard loan to value ratio needed to purchase a home. These funds will be targeted towards those households making 80% or below of median AMI. However, on a case-by-case basis, funds may be given to those making 120% or below in order to allow the beneficiary to avoid the cost of mortgage insurance. No more than 20% of the total cost of the home will be provided through a second mortgage instrument. For those making 50% or below LMMI no more than 40% of the total cost of the home will be provided through a second mortgage instrument.

Clarification on Process

The process should follow the flow-chart (attached) as closely as possible. Once an applicant has been approved for the NSP-2 program, they must obtain a pre-approval letter from a lending institution within 30 calendar days. The applicant must also attend a home-buyer education class.

The pre-approval letter from a valid lending institution must be brought to our intake team within the 30 day period for sign-off. The Consortium partner will then show the requested property to the applicant and that applicant then has 48 hours or 2 business days to request and execute a contract for that property. A down payment is required and will vary depending on the Consortium partner. If the intake team does not hear from the applicant in 48 hours, the applicant then moves to the bottom of the list for their desired property and the next person in line will then be asked to sign a contract. If an applicant makes a first and second choice and the first choice is no longer a viable option, the applicant moves to the bottom of the list for the second chosen property.

Exhibit B

Memorandum

To: Joan Oliva

From: Paula Portch

RE: Modification of the percentage of first and second mortgage

The values of properties have increased in Lake Worth. Our latest appraisals are close to $150,000. The values of the properties when we started this project were around $60,000. A family making 50% or below LMMI cannot afford a mortgage of $120,000. We need to modify the percentage of the first amortizing mortgage to 60% and the second non-amortizing mortgage 40% for our very low income families to be able to afford the payments.