



## **Purchase Assistance Program Guidelines**

### **Purchase Assistance Program Objective**

The Osceola County Down Payment Assistance Program (DPA) is made available through the State Housing Initiatives Partnership Program (SHIP). The DPA program is for families earning 120% and below of the Area Median Income (AMI) for Osceola County the City of St. Cloud, and the City of Kissimmee. The amount of down payment assistance and closing costs will be limited to a maximum of \$80,000 based on income levels and need. Approved qualified applicants shall receive an amount up to the following maximum subsidies:

- Very low - \$80,000
- Low - \$60,000
- Moderate - \$40,000

The DPA program is administered by Osceola County Housing & Community Services. Florida Statute requires that 30% of all funds received by the County annually be spent on families earning 50% of AMI and below (very low), and another 30% of the funds must be expended for families earning 50.01 – 80% of AMI (low income). Further, Florida Statute requires that 65% of all funds that a local government receives annually must be expended on activities that result in homeownership.

### **1. Eligibility**

To be eligible for the Purchase Assistance Program applicants must first be eligible for a Federal Housing Administration (FHA), Veterans' Administration (VA), or conventional loans from a private lending institution with an annual percentage rate (APR) no more than 6.5%. There will be no seller financing. The applicant is required to obtain a maximum first mortgage with debt-to-income ratios not to exceed 30% front and 45% back-end ratios. The front-end ratio of 30% represents principle, interest, taxes, and insurance (PITI). In certain and rare cases, the Osceola County Manager or their designee may use discretion to approve individuals for a front-end ratio of up to 35% based on a totality of circumstances. Exceptions will be based on compensating factors used by the lender.

- During unprecedented economic volatility and housing market fluctuations, the Osceola County Manager or their designee may grant discretionary approval to individuals outside of eligibility standards, particularly in circumstances where homeownership is less expensive than renting.

The total monthly back end ratio may not exceed 45%. To avoid over-subsidizing a buyer, the principal, interest, taxes and insurance (PITI) must be at least 25% of the buyer's qualified income. The amount of the DPA loan is strictly based upon need.

No adjustable rate mortgages (ARM's), balloon loans, or interest only loans are permitted. Private Mortgage Insurance (PMI) is not allowed unless required by the lender. Lenders' fees may not exceed 1% of the loan application. Total of broker fees, loan discount fees or loan origination fees may not exceed 1% of the loan. Total closing costs including the lender fees, broker fees, and 3<sup>rd</sup> party fees, may not exceed 5% of the loan.

- During unprecedented economic volatility and housing market fluctuations, Osceola County Housing and Community Services may, on a case-by-case basis, grant discretionary approval to individuals outside of eligibility standards.

Any fees that appear to be beyond what is normal and customary for home loan transactions may be denied at the discretion of Osceola County if the lender fails to properly justify the cost. Yield spreads and points are not allowed unless buying down the interest rate. Some applicants who have had a recent bankruptcy, or currently have substantial debt or poor credit history may be denied by the lending institution. Applicants should have (1) year satisfactory credit with no late payments within the current year. There shall be no outstanding unpaid judgments or collections unless medical. Outstanding debts may not be included in the 1<sup>st</sup> mortgage. Applicants with poor credit history will be encouraged to participate in additional budget and credit counseling. Sufficient income and good credit are essential in order for an applicant to qualify for a mortgage loan. Applicant must not have owned a home in the past three years. An exception would be for a displaced individual as defined in the Local Housing Assistance Plan (LHAP).

First mortgage loans must be at least a 15 year fixed term with a maximum term of 30 years. If an applicant is receiving subsidy from a bond program, the loan may have a fixed term up to 40 years. Property taxes and hazard insurance must be escrowed by the 1<sup>st</sup> mortgage lender.

The combined loan-to-value (CLTV) ratios for Down Payment and closing costs may not exceed 105% of the home's appraised value or sales price whichever is lower.

Applicants must be employed in the same profession or field for (1) year. Self-employed applicants must have been in business for (2) years. If not self-employed for at least (2) years, the income cannot be included by the lender for the loan. An exception that a lender may make is if the employee was in the same field for (1) year prior to becoming self-employed in that same field. For example, a person who worked in a landscaping company and then became self employed in the landscaping business.

Applicants must be legal residents, have a valid social security card, valid Florida state identification, and proof of Florida residency if requested.

Before an application can be submitted to Osceola County Housing & Community Services, an applicant must have completed a minimum of (8) hour Homebuyer Education Class provided by Osceola County Extension Services or any HUD approved agencies and have a pre-approval letter by a participating lender for the qualification of the loan. The pre-approval letter must be for the dollar amount the applicant qualifies for without SHIP funding.

There will be no co-signors allowed. Only those applicants/co-applicants named on the SHIP application for assistance may be on the 1<sup>st</sup> mortgage loan.

A summary of the steps to DPA assistance are as follows:

1. Meet criteria of First Time Homebuyer
2. Obtain homebuyer education certificate from Osceola County Extension Services/ or HUD approved agencies
3. Lender pre-approval letter
4. Verification that household income is within the SHIP program guidelines by Osceola County Housing & Community Services.
5. Award letter issued by Osceola County Housing & Community Services
6. Home selection through a purchase contract
7. Lender submits loan package to Osceola County Housing & Community Services (10) business days prior to the scheduled closing date
8. Package is reviewed by Osceola County Housing & Community Services. If repairs are necessary, they must be complete prior to the closing and written proof submitted to Osceola County Housing & Community Services). In some cases, cost of major repairs from the sellers' funds can be placed in escrow with the title company to be disbursed when the repairs are completed.
9. Approval of lenders' package and HUD 1 settlement statement by Osceola County Housing & Community Services.
10. Loan closing (1<sup>st</sup> closing will take place at Housing & Community Services, buyer will execute County lien documents and pick up assistance check. 2<sup>nd</sup> closing will take place at the title company).

## **2. Income Levels**

All members of the household must be included in the income calculation, not just the borrowers. Minors under 18 do not have their earned income included. Foster children are not included in a household family size, and the income a family receives for their support is not included.

### **Household Income Levels**

See Exhibit A (Income Guideline Chart)

## **3. Eligible Housing Units**

Homes must be single-family, including town homes and condominiums, within Osceola County (mobile homes are not eligible). Modular homes that bear the Department of Community Affairs (DCA) seal are also eligible for purchase. Homes located within unincorporated Osceola County will take preference over those within the City of Kissimmee limits. Units assisted must not exceed the maximum sales price of \$300,000.

#### **4. Borrower Contribution**

The borrower must contribute a minimum for \$1,000 of his/her own funds to the purchase of the home. Cost of items paid outside of closing (POC) will be considered as part of the minimum borrower contribution required (i.e. appraisals, inspections, etc.).

#### **5. Homebuyer Education**

The borrower must complete a First Time Homebuyer Class provided by Osceola County Extension Services or any HUD approved agencies. Class certificates must be dated within two (2) years from the date of the application.

#### **6. Amount Borrowed**

Osceola County's purchase assistance is available to fund the amount between the borrower's down payment and the first mortgage amount, and maintain ratios of 30/45%, subject to the limitations above.

The maximum down payment assistance amounts are as follows:

\$80,000	Very low income
\$60,000	Low income
\$40,000	Moderate income

#### **7. Debt Ratio Computation – Housing Expense**

When the lender calculates the borrower's PITI payment, anticipated real estate taxes must be used. The Osceola County Property Appraiser's office or website should be utilized to establish the amount of anticipated taxes. **The anticipated property taxes can be calculated by taking the appraised value of the home x mileage rate divided by 1,000.** Osceola County is interested in the provision and sustainability of affordable housing. If the real estate taxes increase by a large amount, the home may no longer be affordable to an applicant whose PITI is 30% of their monthly income.

#### **8. Purchase Assistance Funding**

Funds are committed by Osceola County Housing & Community Services once it is determined the client meets SHIP program requirements. The commitment letter is valid for period of (120) days. The lender will be responsible for submitting a complete loan

package to Osceola County Housing & Community Services before the expiration of the (120) day period. Upon receipt of the loan package by Osceola County Housing & Community Services, it will be reviewed by the Community Grants Program Specialist and a Supervisor. The review will consist of checking all documentation for accuracy and completeness.

If the package is complete and correct, Osceola County Housing & Community Services staff will request a check for the approved down payment assistance. Osceola County Housing & Community Services staff will contact the title company responsible for the loan closing and provide them with the subordinate mortgage and note and additional closing instructions. Within (24) hours of the loan closing, Osceola County Housing & Community Services staff must receive the final HUD 1, final CD, and proof of homeowner's insurance. Homeowners' insurance must list Osceola County as an additional lien holder.

### **9. Recapture Provisions**

SHIP funds are lent at a 0% interest rate for a term up to 15 years. Funding will only assist with down payment and closing costs. If the borrower converts the home to a rental unit, or if they vacate the home, or if the home is refinanced for cash out or a home equity line of credit is acquired, the down payment assistance amount will need to be repaid in full. No cash out or owner equity lines are permitted without repayment.

### **Becoming a Participating Lender**

To become a participating lender with Osceola County, the lender must attend a lender workshop scheduled by Osceola County Housing & Community Services. The lender may be a participating lender with Florida Housing Finance Corporation (FHFC) and/or Orange County Housing Finance Authority and be certified to do bond loans. In the event Osceola County Housing & Community Services staff determines that a lender is submitting unscrupulous approval letters or predatory lending is suspected, that lender will be immediately removed from the participating lenders' list. The lender will be notified in writing of their removal. In order for the lender to participate with the SHIP program in the future, the lender will be required to undergo training by Florida Housing Finance Corporation (FHFC) and become a lender with FHFC and/or Orange County Housing Finance Authority.

### **10. Applications**

Lender packages need to be submitted to Osceola County Housing & Community Services at:

Osceola County Housing & Community Services/SHIP  
1392 E. Vine Street  
Kissimmee, Florida 34744  
407-742-8437  
[ship@osceola.org](mailto:ship@osceola.org)

**Faxed packages will not be accepted.**

### **Lender Package Checklist**

The lender package checklist was established to help summarize the items needed in every lender's package. This checklist is used to check off the required items that must be submitted (See Exhibit B).

#### **11. Applicant Checklist**

A checklist provided for the applicant is attached for your information. The checklist will inform the applicant as to what information will be needed to complete processing and approval (See Exhibit C).

#### **12. Real Estate Contract**

The lender must provide a copy of the applicant's executed sales contract. If the sales contract expires prior to approval of the lenders' package by Osceola County Housing & Community Services, the lender and the applicant will be informed that an extension may be needed.

#### **13. Appraisal & Inspection**

An appraisal from a licensed certified appraiser must be used. **Valuations by other real estate professionals are not allowed. The sales price of the home cannot exceed the appraised value of the home.** Appraisal must indicate that the home has at least a 30 year remaining useful life. **A home inspection including the WDO report is mandatory.** All noted repairs must be completed, signed off by and accepted by inspector and buyer prior to file being submitted. Final Inspection indicating repairs have been completed must be submitted with file.

#### **14. Credit Reports**

The credit report is not used for underwriting, however we will not fund any client whose housing expense ratio exceeds the ratios shown above in Section 6, and funding will be granted only to assist in obtaining a 30/45% ratio (note that the minimum housing expense ratio is 25%).

#### **15. Verification of Income and Assets**

The Department of Housing and Urban Development (HUD) and the Florida Housing Finance Corporation (FHFC) mandate the verification process that Osceola County uses, deviations are not allowed.

- Using stated income is not allowed

- Every income and asset source for all persons in the home must be verified by a third party source
- All verifications must be less than 120 days old
- Benefit income is never “grossed up”

#### **16. Determining whose income to count**

Include all income of all household members age 18 and over

- The following incomes are not counted towards the household overall income:
  - a. Income of a live in aide (whether paid by the family or a social service program) a related person **cannot ever** be considered a live in aide
  - b. Income of a live in aide including state pay (a live in aides is defined as a person who resides in the household solely for the care of a household member and otherwise not obligated for the person(s) and who would not be living in the unit except to provide the necessary supportive services).
  - c. Income that is attributable to the care of foster children. Foster children are not counted as family members when determining size to determine the applicable income limits.
  - d. Employment income of minors. Minors are individuals who are under the age of 18. Unearned income attributable to a minor (i.e. child support, DCF payments and other benefits paid on behalf of the minor **must be counted**).
- Family members living apart from the family also require special consideration:
  1. The income of temporarily absent family members is included in annual income regardless of the amount of income provided by the absent family member contributes to the household (Example: Spouse who works in Miami but sends money home to help with the household, the entire amount earned per week by the spouse is counted as income in the household).
  2. Adult students living away from home. If the adult student (18 years and older) is counted as a member of the household, this student’s income must be counted along with other members of the household to determine eligibility (Example: A student who lives away from home but will spend the holidays at home while pursuing their education. The student’s income up to \$480.00 is included in the household income. If the student is the head of household or spouse, all earnings are included when determining eligibility).
  3. Spouses or co-applicants who permanently live outside of the United States will not be eligible for assistance.

## **Income Inclusions**

See Exhibit D

## **Income Exclusions**

See Exhibit D

## **17. Calculating Income**

Osceola County Housing & Community Services is required to anticipate income for the next twelve months. Osceola County Housing & Community Services will use current conditions, and information from income sources regarding anticipated raises, bonuses, overtime, benefit increase, and other relevant information. The lender should use the same method to anticipate annual income.

Example: A family member is working a 40 hour job at \$7.00 hour for 52 weeks a year. The income for the year would be  $\$7.00 \times 2,080 \text{ hours} = \$14,560$  gross earnings. If the employer states that the applicant will receive a \$1.00 increase six months from now the income would be calculated:  $\$7.00/\text{hr} \times 40 \text{ hours} \times 26 \text{ weeks} = \$7,280$  plus  $\$8.00/\text{hour} \times 40 \text{ hours} \times 26 \text{ weeks} = \$8,320$  for a total annual income of \$15,600. This method should be used even if the income may not continue in the near future.

**The exception to this rule is when documentation is provided that states that current circumstances are about to change.**

## **18. Bank Accounts**

1. Verification of deposit form signed by a bank representative
2. Six months of consecutive bank statement if the depository refuses to release information

## **19. Loan Estimate**

Lenders may not charge more than 5% of the mortgage amount for fees and charges. This includes broker fees, points, underwriting fees and other similar fees. Osceola County Housing & Community Services will compare the HUD 1 with the closing costs estimated on the Loan Estimate.

## **20. Treatment of Assets**

In general terms, an asset is a cash or non-cash item that can be converted to cash (real property, jewelry, gems, coin collections, paintings, antique cars, etc.). The actual interest earned on a savings account or interest bearing account is computed into the income, not the asset value.



### **Actual Income from Assets**

In general the income included into annual household income is that generated by the asset (interest on an account). The income is included even if the household elects not to receive it. An example of this would be reinvestment of interest back into an account. Interest and dividend payments are still included as income.

### **Assets Valued at \$5,000 or more**

Most assets have a straightforward calculation, but for others rules have been established to address situations in which assets produce little or no income. This assumes that a household with assets has better payment ability, even if its assets do not currently produce income. For example, land owed by a family that does not produce income. Instead of asking the family to dispose of the land, the rule requires that income be calculated based on an imputed interest rate that is applied to the cash value of all assets. The interest rate is established periodically by HUD and is currently 2%).

### **Assets to be considered/not considered**

See Exhibit E

## **21. Income**

### **Employment Income**

- Written verification of employment from the employer
- If employment verification is unavailable, minimum 30-day period of pay stubs, showing employee's name and gross pay per period.

### **Self-Employment Income**

- Accountants or bookkeepers statement of net income
- Audited financial statements of the business along with a notarized statement from the applicant giving the anticipated income for the next (12) months following certification.
- Most recent tax return with profit and loss statement (Schedule C)

### **Social Security, Pensions, Supplemental Security Income (SSI), Disability Income**

- A benefit verification form completed by the agency providing the benefits (must be less than 3 months old).
- An award or benefit notification letter prepared and signed by the authorizing agency

### **Unemployment Compensation**

- A verification form completed by the unemployment compensation agency
- Records from the Unemployment office stating payment dates and amounts

### **Alimony or Child Support Payments**

- A printout from the court or governmental agency through which payments are being made and received by the applicant
- A notarized letter from the person paying support
- A copy of a separation or settlement agreement or a divorce decree stating the amount and type of support payment schedule

### **Recurring Contributions and Gifts**

- Notarized statement or affidavit signed by the person providing the assistance giving purpose, dates, and value of gifts
- A letter from a bank, attorney, or a trustee providing required verification

### **Scholarships, Grants, and Veterans Administration Benefits for Education**

- All forms of financial assistance (grants, scholarships, educational entitlements, work study programs, and financial aid packages) are excluded from annual income. This is true whether the assistance is paid to the student or directly to the educational institution.

### **Unemployed Applicants**

- The income of an unemployed applicant or family member that receives regular income from sources, such as Unemployment Compensation, Social Security, Pension, disability payments, recurring gifts, etc., must be verified as covered previously.
- If the applicant or family member is currently unemployed and claiming zero income, he/she must provide evidence of that by executing and Affidavit of Unemployment

### **Closing Process**

- When Osceola County Housing & Community Services approves the lenders' package, a check request is sent to the Osceola County Clerk of Courts. The check will be made payable to the title company and the borrower. Lender's packages must be received at Osceola County Housing & Community Services (10) business days prior to the closing.

- The borrower must have homeowners' insurance on the property. Proof of insurance must be provided 24 hours prior to the closing. Osceola County Housing & Community Services must be shown as a loss payee on the insurance policy as follows:  
 Osceola County Housing & Community Services  
 1392 E. Vine Street  
 Kissimmee, Florida 34744
- All homeowners with homes located in a designated flood zone must obtain and maintain a flood insurance policy for the term of the loan
- Final HUD 1 must be received by Osceola County Housing & Community Services staff 24 hours prior to the closing. Osceola County Housing & Community Services reviews the HUD 1, and if correct the Program Specialist will give the final approval of loan closing.
- The day of the closing the borrower will meet at Osceola County Housing & Community Services to complete final SHIP paperwork and review subordination documents. Borrower will be required to execute a Loan Subordination Policy Form, indicating that they read and understand the County's loan subordination policy. The check will be released to the title company representative at that time.
- Title Company must provide a final closing package to Osceola County Housing & Community Services. This must include the a copy of the executed HUD 1 and CD.

### **Answers To Frequently Asked Questions**

-The Award Letter will state the subsidy that the homebuyer is conditionally approved for. This amount is determined on a per customer basis. The award letter will also state the maximum sales price. The total amount of assistance/subsidy is based upon the total household income. (Affordable mortgages/house payments are those in which the payments, including taxes and insurance, do not exceed 30% of the household's annual income.)

-Do not use white-out on any portion of the application. Original application must be submitted. NO FAXED COPIES ACCEPTED.

-Income – The Osceola County Purchase Assistance Program projects the household's income twelve (12) months forward from the date of application.

-Annual household income is the combined income for all wage earners in the applicant's household 18 years of age or older.

-Overtime – If overtime is received on a regular basis, that amount is to be included in the income calculation.

-Child Support must be reported for all children who are not living with both of their natural parents. Applicant must provide a copy of Court ordered child support or direct payment agreement from the natural parent not residing in the household. If the applicant

does not have a court order, and/or is not receiving child support, please provide a notarized statement indicating non-receipt.

-Divorced applicants must provide documentation of their divorce, for example a copy of their divorce decree. In rare cases when all options to attain documentation have been exhausted the Program Manager may authorize a notarize statement to be utilized.

- Separated applicants must realize that Florida law does not legally recognize separation. Unless legally divorced, Florida's joint property laws will likely entitle the estranged spouse to legal claim of ownership of any house the applicant purchases. Osceola County Housing & Community Services will recognize separation if it is clear that the applicant has no plan to reunite with the estranged spouse by providing a minimum of three (3) years tax returns indicating separate and proof of separate residences.

-Applicant must secure a first mortgage loan commitment at a competitive fixed rate which is contingent upon receiving Osceola County Assistance. Allowable Mortgage Type: Fixed Rate Only. No adjustable-rate mortgages or balloon mortgages are allowed in this program. All mortgages offered must be a fixed rate and may not have terms exceeding thirty (30) years.

-No pre-payment penalty.

-ESCROW - Taxes and insurance shall be included in an escrow account established and administered by the first mortgage holder or it's Agent.

-Processing, Underwriting, Document Prep, and Administration fees cannot be included as closing costs, for the borrower, on the CD statement; however, the options for payment of these fees include the following: 1.) these fees can be charged to the seller or 2.) These fees can be paid outside of closing "POC" by the borrower. In the instance of "POC" (indicated on HUD), the Lender/Closing Agent normally requires back-up documentation indicating "paid".

- Loan origination fees may not exceed 1%. Broker fees may not exceed 1%.

-Any filed bankruptcy must be discharged for at least two years from the date of application.

-Osceola County has a NO "cash back" policy – the homebuyer may not receive cash back from a down payment loan – the HUD-1 must show no cash back to applicant.

- Funds cannot pay for debts incurred by borrower (i.e., credit cards). Final Settlement Statement (HUD) must not show any debts of the borrower or borrowers.

-If the terms and/or conditions of the first mortgage change any time prior to the actual closing, Osceola County Housing & Community Services is to be notified immediately for their approval of the change(s).

-If married, both husband and wife will appear on the Osceola County Mortgage and Note and at a minimum must appear on the 1st Mortgage, Deed, and Closing (HUD) statements. Both names are not required to appear on the note or the 1st Mortgage Company Approval Letter.

-Any homebuyer who wants to purchase an existing home must be told that legitimate tenants cannot be evicted without the owner providing relocation costs and any damages incurred by the tenant. This rule was put in place by HUD. All of our housing programs are tied to HUD rules and regulations. Osceola County will not approve any deals that involve evicting tenants without their permission and compensation. There are specific rules that have to be followed before a tenant can be removed from his/her domicile. Check with us before starting an eviction

### **List of Attachments**

Exhibit A – Income Guideline Chart

Exhibit B – Lender’s Checklist

Exhibit C – Applicant Checklist

Exhibit D – Income Inclusions/Exclusions

Exhibit E – Asset considerations

Exhibit F – Borrower’s profile

Exhibit G – Lender Disbursement Request