



STATE OF NEBRASKA DR-4420 CDBG-DR HOMEOWNER ASSISTANCE PROGRAM FREQUENTLY ASKED QUESTIONS (FAQS)

Last Updated: December 2, 2021, Version 1

FREQUENTLY ASKED QUESTIONS

This document remains effective until it is amended, superseded, or rescinded.

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT, 301 CENTENNIAL MALL SOUTH, LINCOLN, NE 68509, opportunity.nebraska.gov

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PURPOSE

In early 2019, the State of Nebraska suffered record-breaking damage due to severe winter weather (Winter Storm Ulmer), straight-line winds, and flooding, all of which contributed to a major disaster declaration (DR-4420) under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act). The State is receiving a \$108,938,000 grant through the U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant – Disaster Recovery (CDBG-DR) Program to support long-term recovery efforts. A portion of these funds will be used to implement the **Homeowner Assistance Program** described herein.

This document is intended to provide an overview of the **Homeowner Assistance Program** to potential applicants, including details regarding program eligibility and applicable cross-cutting federal requirements. This document may be updated as the program is finalized and implemented.

See the Nebraska Department of Economic Development's (DED) CDBG-DR website, https://opportunity.nebraska.gov/cdbg_dr/, for updates and additional program information.



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RECORD OF CHANGES

The following table summarizes changes to these FAQs.

Date Approved	Version Number	Description of Change
12/02/2021	1	Initial publication



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GENERAL PROGRAM QUESTIONS

HAP001. WHAT IS THE HOMEOWNER ASSISTANCE PROGRAM?

The Homeowner Assistance Program (HAP) **helps income-eligible buyers purchase a home** by providing financial assistance toward their down payment, closing costs, or “buying down” their first mortgage to an affordable level.

HAP002. WHO RUNS THE HOMEOWNER ASSISTANCE PROGRAM?

While the Nebraska Department of Economic Development (DED) is ultimately responsible for HAP, Subrecipients will administer HAP on a day-to-day basis. **Local governments** (e.g., counties, cities, townships, or villages) **and nonprofit organizations may apply** to DED for an award of Community Development Block Grant – Disaster Recovery (CDBG-DR) funds, which they will, in turn, use **to provide homeownership assistance to eligible households**.

HAP003. WHERE IS HAP AVAILABLE?

The US Department of Housing and Urban Development (HUD) requires all funding be invested in counties that fell under the disaster declaration associated with Winter Storm Ulmer in 2019. In balancing all the competing requirements and other uses of CDBG-DR funds, including for infrastructure improvements, the Action Plan approved by HUD requires that **95% of HAP funds be awarded in Dodge, Douglas, and Sarpy counties**. These three counties were identified by Federal data and are referred to as the HUD-identified Most Impacted and Distressed (MID) counties. Potential Subrecipients can also apply to help buyers in State-identified MID areas, but the availability of that funding will be limited.

SUBRECIPIENT QUESTIONS

HAP004. HOW CAN MY ENTITY APPLY TO BE A SUBRECIPIENT?

DED will issue one or more Notices of Funding Opportunity (NOFOs) announcing application deadlines and procedures. Within each NOFO, **DED will identify specific submission requirements, program requirements, competitive criteria, and limits on awards** to a given Subrecipient. Other factors may include an Applicant’s experience running similar programs, the geography served, or specific populations the Applicant agency proposes to serve.

HAP005. DO ALL SUBRECIPIENTS NEED TO BE HUD-APPROVED HOUSING AGENCIES?

No, Subrecipients must be units of local government or nonprofits that DED determines have the capacity to administer HAP. However, the [Housing Counseling Certification Requirement’s Final Rule](#) implemented statutory requirements that housing counseling required under or provided in connection with all HUD programs must be provided by HUD-certified housing counselors. Therefore, Subrecipients who are not HUD-



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approved housing agencies must refer beneficiaries to [HUD-certified](#) agencies for housing counseling. This can be an official relationship or a recommended referral.

HAP006. WHERE CAN I FIND A LIST OF LOCAL SUBRECIPIENTS?

Following HAP awards to Subrecipients, DED's website will be updated to include information on CDBG-DR awards, including contact information for Subrecipients.

HAP007. CAN A POTENTIAL BUYER GO TO ANY SUBRECIPIENT?

As part of their application to and award from DED, each Subrecipient will identify the geographic areas they intend to serve. DED expects that assistance will be available throughout the HUD-identified MID areas, but there is no way to predict what the overall geographic coverage will be until DED receives applications and makes its funding awards. To learn more, buyers should contact Subrecipients whose local programs cover the area where the buyer wants to purchase a home. Keep in mind that **any single buyer can only receive assistance one time**, even if they have submitted applications to more than one Subrecipient.

HOMEBUYER QUESTIONS

HAP008. DOES SOMEONE NEED TO HAVE LOST THEIR HOME IN THE FLOODS TO QUALIFY FOR HAP?

No, eligibility is not limited to those who specifically lost housing because of the 2019 disaster. However, DED is allowing Subrecipients to propose programs that set-aside some funding for such households.

HAP009. AS A HOMEBUYER, WHO QUALIFIES FOR HAP ASSISTANCE?

Qualification	Eligibility
Total Household Income	<ul style="list-style-type: none">• Buyers must have a household income at or below 80% of the area median income (AMI) based on household size:<ul style="list-style-type: none">○ HUD publishes these numbers each year and they are subject to change, but for example, in Douglas County, a four-person household's annual income must be less than \$70,250 (as of June 1, 2021) to qualify.○ In extremely limited cases, DED may allow some households with higher incomes, up to 120% AMI, to participate.• DED has also determined that HAP will require buyers to have a minimum income equal to or greater than 40% of AMI.



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Qualification	Eligibility
Prepurchase Counseling	<ul style="list-style-type: none">• Before receiving assistance, potential buyers must complete homeownership counseling with a HUD-approved housing counseling agency.
Primary Residence	<ul style="list-style-type: none">• Assisted buyers must agree to maintain the home as their primary place of residence.• HAP cannot be used to purchase investment or income properties that will be rented on a short- or long-term basis or used principally for a business.
Ability to Qualify for a First Mortgage	<ul style="list-style-type: none">• HAP assistance is provided in the form of a second mortgage. It does not provide for the whole purchase price of the home.• Buyers must qualify for a first mortgage from a conventional lender in an amount that, along with the HAP assistance, is enough to purchase the home. HAP requires 30-year fixed rate first mortgages that meet certain standards around interest rate and loan fees, requirements that are intended to avoid the use of predatory or subprime loans.
Contribute to the Purchase	<ul style="list-style-type: none">• Participating buyers must make a cash investment of at least 1% of the home's purchase prices:<ul style="list-style-type: none">○ On a \$125,000 house, for example, a buyer must contribute at least \$1,250, which might be used as part of their down payment or to cover closing costs. If a buyer must prepay for their appraisal or an application fee to their mortgage lender, these paid outside of closing expenses can be credited towards the minimum buyer investment.• Buyers must also demonstrate that after making this contribution, they still have cash reserves (e.g., savings account balance) of at least three times their monthly house payment:<ul style="list-style-type: none">○ For example, if the monthly payment is \$800, the household needs to have at least \$2,400 in savings.

HAP010. HOW MUCH ASSISTANCE CAN A BUYER RECEIVE?

The assistance available to a given household is based on their need for assistance considering their income, other debt (e.g., student loans, car loans, credit cards, etc.), and ability to contribute to their down payment. DED's program guidelines **limit assistance to a given household to no more than \$50,000**. However, **most assisted buyers will receive less**.



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HAP011. ARE THERE RESTRICTIONS ON THE HOUSE A BUYER CAN PURCHASE?

Yes, eligibility restrictions are described further below.

Eligible Houses	Ineligible Houses	Inspections
<ul style="list-style-type: none">• Single-family home, duplex, condo, or townhome• Prices below a certain value (as specified below). As of 2021:<ul style="list-style-type: none">• \$149,000 in Dodge County,• \$189,000 in Douglas County, and• \$194,000 in Sarpy County	<ul style="list-style-type: none">• Those in the 100-year flood plain or an airport clear zone• Mobile homes• Manufactured homes	<ul style="list-style-type: none">• General inspection carried out by the Subrecipient under standards promulgated by DED• Lead-based paint inspection for homes built before 1978

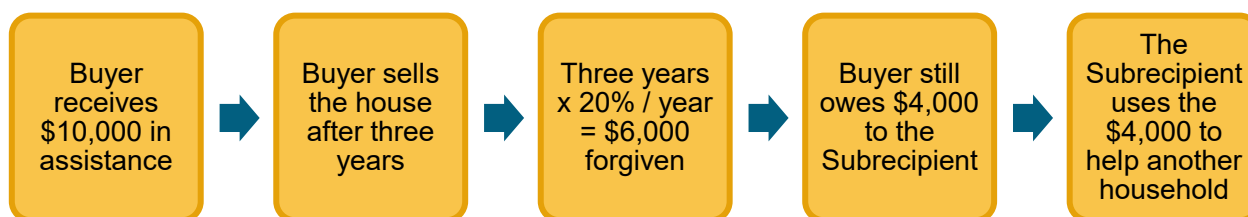
HAP012. HOW DOES THE ASSISTANCE TO A BUYER WORK?

HAP funds are provided in the form of a **0% interest loan with no monthly payments**. If the assisted buyers continue to occupy the house as their primary place of residence, 20% of the loan is forgiven each year until the entire loan is forgiven after five years. This is also referred to as the affordability period.

HAP013. WHAT IF A BUYER SELLS SOONER?

If a buyer sells the home or otherwise transfers title prior to the end of five years, **any unforgiven balance of the HAP loan must be repaid to the Subrecipient** that assisted the original buyer.

For example:





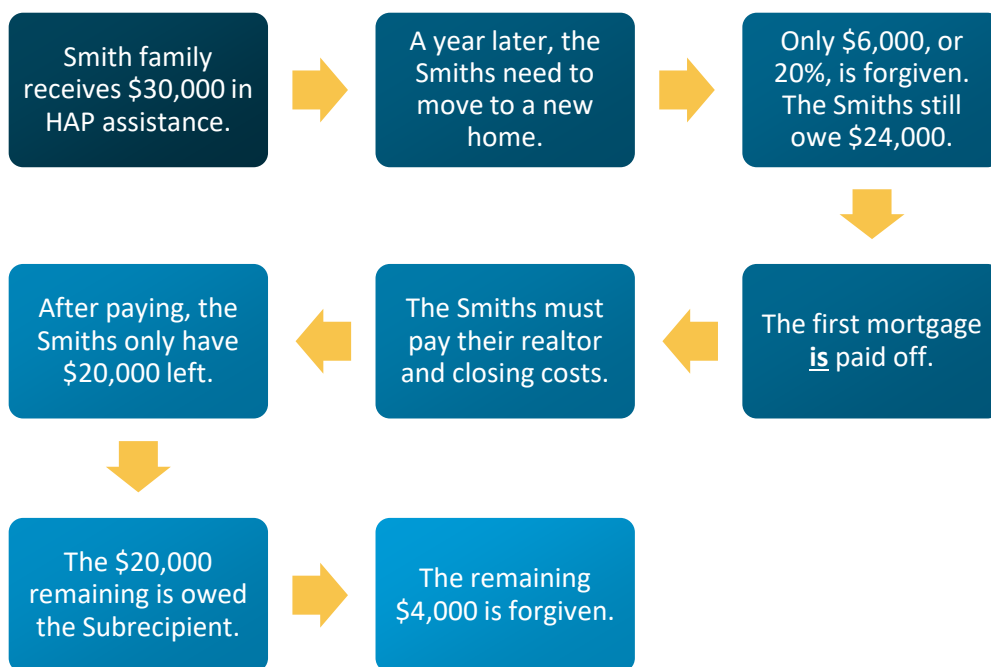
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HAP014. WHAT IF AN ASSISTED HOUSEHOLD CAN'T REPAY THE HAP LOAN WHEN THEY SELL?

If a previously assisted buyer sells the home before full forgiveness and they are not able to recoup enough from the sale to repay the HAP loan, **repayment will be limited to the net proceeds of sale after paying off the first mortgage and the closing costs** of the original buyer (who is now the seller).

For example:



HAP015. CAN A HOMEOWNER WHO RECEIVED A HAP LOAN REFINANCE THEIR FIRST MORTGAGE?

During the five-year affordability period (i.e., while the HAP loan is outstanding), for the assisted homeowner to refinance, **the Subrecipient needs to subordinate the HAP loan as a junior mortgage to the new first mortgage lender. This is not automatic.**

Under DED policy, the Subrecipient can subordinate if the new loan meets certain criteria. These include that the new mortgage cannot include “cash out” but can only be for the purpose of a “rate and term” refinance, potentially rolling the closing costs on the new loan into the balance. The new loan must also meet the same standards that applied originally; it cannot be a subprime loan. Finally, **it must result in a lower monthly payment for the buyer**, usually as the result of having a lower interest rate than the original loan.