**State of Nebraska Department of Economic Development - HOME Investment Partnerships Fund CHDO Program**

**To improve the implementation of the HOME CHDO Homebuyer program the two checklists below are a tool to be used when updating Homebuyer Program Guidelines and to incorporate the HOME Underwriting Standards for each HOME approval. The information below is from the HOME Manual. Chapter 14 Section 2.1 and must contain all the items listed below.**

**HOME Project #**Click or tap here to enter text. **CHDO Recipient:** Click or tap here to enter text. **Date:**Click or tap to enter a date.

**CHDO HOME Recipient** – Complete Column B only. Enter where the item can be found in your proposed guidelines. Email document in Word format to your HOME program representative along with a copy of the guidelines for review.

**DED HOME Housing Representative**- Complete Column A & C. Check the box in Column A if approved. Complete Column C with Notes of changes or concerns.

DED Housing Rep will work with the CHDO staff member for any requested corrections. Final format will have all check boxes completed and all notes in column C will be completed.

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| 1. **Check box to verify the item is included in the written guidelines:** | 1. **Page & /or Section#** | 1. **NOTES To be completed by DED** |
| 1. Clearly defined Application Process that includes the following: | | | |
| a) Applicant eligibility, including income eligibility. Persons assisted with HOME funds must have incomes at or below 80% of the area median income. The Annual (Gross) Income definition found at 24 CFR 5.609 must be included in the guidelines. | Click or tap here to enter text. | Click or tap here to enter text. |
| b) Formal notification of selection and non-selection. | Click or tap here to enter text. | Click or tap here to enter text. |
| c) Application acceptance dates. | Click or tap here to enter text. | Click or tap here to enter text. |
| d) Application review process. | Click or tap here to enter text. | Click or tap here to enter text. |
| 2. Priority Ranking System for selection, if applicable, | | | |
| must not contain discriminatory criteria such as preference for minorities or large families. | Click or tap here to enter text. | Click or tap here to enter text. |
| 3. Conflict of Interest Clause | Click or tap here to enter text. | Click or tap here to enter text. |
| 4. Grievance Procedures | Click or tap here to enter text. | Click or tap here to enter text. |
| 5. Process for Amending Program Guidelines, including language that amendments must be approved by the Department Program Representative | Click or tap here to enter text. | Click or tap here to enter text. |
| 6. Types of assistance provided, including HOME funds and other sources. | Click or tap here to enter text. | Click or tap here to enter text. |
| 7. Amounts of assistance allowed, including HOME funds and other sources. The HOME financial assistance per unit cannot exceed the Maximum per unit HOME Subsidy. Do not include organization operating in your per unit costs for this calculation. | Click or tap here to enter text. | Click or tap here to enter text. |
| 8. Eligible Properties, including the geographic boundaries where the properties must be located. Address how all programs will comply with HUD’s lead-based paint regulation requirements. Address how all units assisted with HOME funds will meet Property Standards and Department Rehabilitation Standards. The maximum purchase price or after-rehab value will not exceed 95% of the Median Sales Price limit as established by HUD. | Click or tap here to enter text. | Click or tap here to enter text. |
| 9. Affordability Period. The first buyer and subsequent buyers (unless recapture provisions are used) must occupy property purchased by a new homebuyer as a principal residence for the affordability period, which will be at least 5 years from the date that HOME funds are invested in the property. Please state the required affordability period for the project with the answer. Renting a unit is not permitted unless the tenant is part of a short-term lease/purchase program in which the unit will be purchased within 36 months. | Click or tap here to enter text. | Click or tap here to enter text. |
| 10. Methods for ensuring the affordability period and principal residence requirement that include (1) program-wide recapture or resale provisions and (2) legal instruments to be used. Deed restrictions or other enforcement mechanisms must reflect this occupancy requirement. | Click or tap here to enter text. | Click or tap here to enter text. |
| 11. Appropriate Lead Based Paint Procedures, this applies to all programs. | Click or tap here to enter text. | Click or tap here to enter text. |
| 12. Relocation policy, if applicable | Click or tap here to enter text. | Click or tap here to enter text. |
| 13. Rehabilitation process, if applicable. Purchase/rehabilitate/resale programs and Acquisition/Rehabilitation Programs must include rehabilitation procedures, including lead-based paint procedures, in the guidelines. Address how all units assisted with HOME funds will meet Department Rehabilitation Standards where homes will be rehabilitated. | Click or tap here to enter text. | Click or tap here to enter text. |
| 14. Plan for Reuse of Recaptured Funds (funds recaptured during the HUD-imposed affordability period) that includes (1) HOME eligible activities (excluding organization operating), (2) reference to Program Guidelines that apply to reused Recapture Funds OR (3) a statement that all Recapture funds will be returned to the Department for reuse. | Click or tap here to enter text. | Click or tap here to enter text. |
| 15. Newly constructed housing must meet or exceed the most recent version of the International Energy Conservation Code and the Nebraska Department of Environment and Energy must approve building specifications. | Click or tap here to enter text. | Click or tap here to enter text. |
| 16. Provide a statement that assures all programs will be in compliance with the Fair Housing Act, including a narrative with a specific reference to all areas of the Fair Housing Act applicable to the project. | Click or tap here to enter text. | Click or tap here to enter text. |
| 17. Marketing procedures that include marketing to local or regional residents and tenants of public housing and manufactured housing, other families assisted by public housing agencies, and households identified to be potentially eligible but least likely to apply. | Click or tap here to enter text. | Click or tap here to enter text. |

**CHDO Homebuyer Underwriting Policy**

The HOME Rule requires DED to establish and implement homebuyer program policies including underwriting standards for buyers of HOME-assisted units, responsible lending standards, and subordination requirements. These standards require certain safeguards to ensure that participating buyers will be successful homeowners by providing the assistance each buyer needs to make the home affordable while serving as many households as possible with limited HOME funds. In addition, DED must ensure that assisted buyers are informed consumers and avoid the use of risky lending products.

To balance these priorities, the DED has developed these underwriting guidelines based on the following key principles.

• Assisted buyers should have good credit and qualify for competitive lending products on par with those offered to credit-worthy unassisted buyers in the local market.

• Assisted buyers should make reasonable and meaningful contributions to their home purchase in terms of both up-front investment and monthly payment without being left without cash reserves after closing or overburdened by their monthly payment.

This policy is applicable to all homebuyer units supported with the Department’s HOME funds, whether HOME funds are being used to provide direct homebuyer assistance (e.g., buyer assistance and closing costs) or are being provided as development funds to build or rehabilitate.

While these policies apply to all homebuyers, there may be individual cases where exceptions are justified for one or more of the local policy requirements. The Department cannot waive HUD regulatory requirements but will consider written requests for exceptions. Underwriting Policy will need to be included in the program guidelines for the potential home buyers to be informed on the underwriting process and the process that will be required for the HOME Program. Reference the HOME Manual Chapter 14.2.4 for further assistance.

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| **A. Check box to verify the item is included in the written guidelines:** | **B. Page &/or**  **Section#** | **C. NOTES to be completed by DED** |
| **Maximum Homebuyer Assistance** | | |
| The **maximum** HOME-assistance available for a buyer is $40,000.  Not all buyers will qualify for the maximum assistance. The assistance available to any given buyer is based on the DED’s assessment of the buyer’s need using the underwriting and lending criteria outlined in this policy. | Click or tap here to enter text. | Click or tap here to enter text. |
| **Maximum Income** | | |
| DED limits eligibility to buyers with incomes within a range as defined below:  • **Maximum** 80% of AMI: The HOME statute and regulations limit HOME assistance to households with incomes at or below 80% Area Median Income (AMI) as defined annually by HUD and adjusted for household size. | Click or tap here to enter text. | Click or tap here to enter text. |
| Homebuyer income eligibility will be determined using the Part 5 definition of income. However, for underwriting purposes only (that is to determine the appropriate level of assistance), the following adjustments to income will be made: | Click or tap here to enter text. | Click or tap here to enter text. |
| • The income of adults who will not have an ownership interest in the property will be excluded. For example, the income of an elderly parent that is part of the household but is neither being listed on title to the property nor included on the loan documents will not be included in calculations of the income available to make the mortgage payment. This exclusion for “non-purchasing” adults is not intended to optionally exclude the income of a household member with marginal credit. In the case of married couples, the income of both spouses will always be included for underwriting purposes. | Click or tap here to enter text. | Click or tap here to enter text. |
| • Significant sources of income such as social security benefits, child support payments, or the like that will not continue for **three (3) years** will be excluded. For example, child support received for a 16 ½ year old is included in the Part 5 definition of income because it will continue over the upcoming 12 months but will not be counted in buyer underwriting as the income will cease when the child turns 18. | Click or tap here to enter text. | Click or tap here to enter text. |
| • Any imputed income from assets will be excluded for underwriting purposes. |  |  |
| **Buyer Underwriting Standards** | | |
| To ensure that buyers are likely to sustain homeownership, assisted buyers are expected to:  • Purchase a home for a reasonable price that does not exceed:  The fair market value as determined by a third-party appraisal and | Click or tap here to enter text. | Click or tap here to enter text. |
| The HOME Program Homeownership Value Limit as determined by HUD for the type (new or existing) and location of the home. | Click or tap here to enter text. | Click or tap here to enter text. |
| • Obtain a senior mortgage loan that meets the Responsible Lending policy below for which:  The monthly housing expenses (i.e., front-end ratio) **do not exceed 29%** of the buyer’s monthly underwriting income; | Click or tap here to enter text. | Click or tap here to enter text. |
| The total debt burden (i.e., back-end ratio) **is not in excess of 41%.** The minimum front-end ratio is to avoid over-subsidization of homebuyers with excessive debt and similarly constitute unacceptable risk to the HOME funds. | Click or tap here to enter text. | Click or tap here to enter text. |
| • **Contribute at least $1,000** or 1% of the purchase price, whichever is lower, toward buyer assistance and/or closing costs. Documented costs (e.g. an appraisal) “paid outside of closing” by the buyer will be credited toward this requirement. | Click or tap here to enter text. | Click or tap here to enter text. |
| • In addition to cash toward purchase, buyers should have sufficient cash resources after closing to **cover at least 2 times their total monthly housing payment**. For purposes of this requirement, liquid assets are those readily convertible to cash, including but not limited to savings or checking accounts, certificates of deposit, stocks and bonds, etc. Liquid assets, however, exclude life insurance policies and any savings held in a tax-deferred retirement account (e.g. pension, 401(k), IRA, etc.), college savings plan (e.g. 529 account), or health savings account recognized by the Internal Revenue Service. | Click or tap here to enter text. | Click or tap here to enter text. |
| • Invest liquid assets **in excess of $30,000** toward the purchase of the home before receiving HOME-assistance. | Click or tap here to enter text. | Click or tap here to enter text. |
| **Responsible Lending: Senior Loan Expectations** | | |
| To ensure that buyers receive high quality loans that are sustainable over time, DED requires that any buyer receiving HOME assistance towards closing costs, buyer assistance, or a portion of the purchase price receive a senior loan (i.e. first mortgage) meeting the following criteria: |  |  |
| • The loan must be:  o A “Qualified Mortgage” under the requirements of the Consumer Protection Financial Bureau (CFPB) outlined at 12 CFR 1026.43(e); or  o A mortgage exempt from Qualified Mortgage standards, including:  o The state housing financing agency  o USDA Rural Development  o Habitat or other direct lending nonprofits funded and approved by DED | Click or tap here to enter text. | Click or tap here to enter text. |
| • Interest rates must be competitive and must NOT be a “Higher Priced” loan defined as (on the date of commitment or loan rate lock) – {choose index}:  o More than 3% above the FFIEC Average Prime Offer Rate (<http://www.ffiec.gov/ratespread/newcalc.aspx>)  o More than 3% above the Freddie Mac Primary Mortgage Market Survey index  o More than 3% above the rate to those offered by the state housing finance agency’s single-family mortgage program | Click or tap here to enter text. | Click or tap here to enter text. |
| • The loan should be a fixed rate loan, or an adjustable-rate loan approved by the Department. | Click or tap here to enter text. | Click or tap here to enter text. |
| • The loan should be fully amortizing over a 30-year term. Shorter-term or longer-term loans must be underwritten and approved by DED as an exception in writing. | Click or tap here to enter text. | Click or tap here to enter text. |
| **Refinancing/Subordination of HOME-Funded Liens** | | |
| The Department has ongoing interests in the success of its HOME-assisted homebuyers, limiting the loss of HOME funds, and avoiding the impact of foreclosures on the jurisdiction’s residents and neighborhoods. Refinancing of senior (first) mortgages will be permitted, and the HOME loan will be subordinated to the new senior loan only under the following conditions: | Click or tap here to enter text. | Click or tap here to enter text. |
| • No cash out – New loans for the sole purpose of improving the rate and/or extending the term of the existing loan that result in a low monthly payment for the homeowner and no cash out will be permitted.  o The proposed new loan must result in a lower monthly payment for the assisted owner.  o The new loan may allow the assisted homeowner to finance their closing costs without being considered cash out. Nominal cash back at closing of less than $500 resulting from last-minute adjustments to payoff figures, closing costs, tax/insurance escrows and the like will not be considered “cash out.” |
| • Cash out – The Department will subordinate to refinancing subject to the following conditions and limitations:  o Only to complete needed repairs to the home, pay for the costs of post-secondary education by a homeowner or an owner’s dependent, or pay for a medical emergency.  o Any cash out refinancing must result in a total loan-to-value ratio (including the HOME loan) of 90% or less.  o The proposed new loan must be affordable to the assisted owner within the lending ratios contained in the Buyer Expectations section above based on current income. |
| • Income eligibility is not required for any refinancing. If the owner’s income has risen above 80% AMI, there is no violation of HOME regulations. |
| **Pre-Purchase Counseling** | | |
| Every buyer of a HOME-assisted unit must receive counseling, regardless of the manner in which the unit was assisted with HOME funds. Each buyer must receive housing counseling **prior to executing the written agreement** for HOME assistance.  In December 2016, HUD published the Final Rule for Housing Counseling Certification which applies to homeownership counseling required by the HOME program. That rule, the final effective date of which is August 1, 2021, requires that HOME-assisted buyers receive counseling from HUD certified counselors employed by HUD-approved Housing Counseling Agencies. | Click or tap here to enter text. | Click or tap here to enter text. |
| To ensure that buyers are informed consumers, DED requires **attendance within the past 12 months** at HUD-approved pre-purchase homeownership counseling course **by all adult household members who will hold title and be party to the senior loan**. | Click or tap here to enter text. | Click or tap here to enter text. |
| **Maximum Property Value** |  |  |
| The HOME program statute requires that no housing have a purchase price or after-rehabilitation value that exceeds 95 percent of area median purchase price as published annually by HUD. This statutory requirement is imposed to ensure that HOME-assisted housing is modest and non-luxury.  Beginning in 2013, HUD changed the methods for determining 95 percent of area median purchase price and began to publish limits separately for newly constructed and existing single-family housing units. The current limits are available at the HOME Program section of the HUD Exchange: <https://www.hudexchange.info/resource/2312/home-maximum-purchase-price-after-rehab-value/> | Click or tap here to enter text. | Click or tap here to enter text. |

DED Program Representative Click or tap here to enter text.

Date Review completed Click or tap to enter a date.

NOTES: Click or tap here to enter text.