

THAYER COUNTY ECONOMIC DEVELOPMENT ALLIANCE, INC.
(TCEDA)
2012 - HOMEOWNERSHIP OPPORTUNITY PROGRAM (HOP)
April 25, 2012 – Revised August 30, 2012

PURPOSE:

The purpose of the Thayer County Homeownership Opportunity Program is to provide financial assistance, utilizing funds from the Nebraska Affordable Housing Program (NAHP), for the purchase of single-family residential housing units which are safe, decent, sanitary and affordable to low and moderate income persons/families -buyers. This program will provide assistance to those persons/families of greatest need, improve availability of housing, promote Homeownership, increase attractiveness of underdeveloped neighborhoods and increase local employment. The Thayer County Economic Development Alliance, Inc. (TCEDA), a non-profit corporation, will operate this Program. TCEDA is responsible for the establishment of the following guidelines.

1.0 APPLICANT ELIGIBILITY

1.1 General (Conflict of Interest)

No member of the governing body of the Thayer County Economic Development Alliance, Inc. (TCEDA) or no other public official who exercises policy, decision-making functions or responsibilities in connection with the planning and implementation of the Program shall directly or indirectly benefit from this Program. This prohibition shall continue for one year after an individual's relationship with that organization ends. Any other employee, officer, or board member may be eligible, but will be treated no differently in the determination of applications accepted for funding. Enclosed with this person's application shall be a statement of disclosure, which outlines the interest the applicant may have in the operation of the Program. A waiver process will be available to allow for the previously identified persons to be eligible for participation in the Program. The waiver process will consist of a request and approval process by the following entities, in the following order: TCEDA and the Nebraska Department of Economic Development (DED). Each person requesting a waiver must describe their need for participation in the Program and if approved, agree to disassociate himself or herself from any decision-making that directly affects them.

1.2 Income Eligibility

Limited to **100%** of the median household income of Thayer County, Nebraska, adjusted for family size as established by the Department of Housing and Urban Development (HUD). Anticipated Annual Income levels will be verified according to **24 CFR Part 5.609**. The Program anticipates up to 5-funded projects to be at less than the 100% income level. The income limits may be revised based upon income level changes as approved by the Department of Housing and Urban Development (HUD).

1.3 Additional Requirements

- a. Must occupy the property as a principal residence.
- b. Must complete Homeownership Training Program prior to obligation of project loan funds by the TCEDA Board.
- c. The proposed housing unit must pass a Section 8 Housing Quality Standards (HQS) inspection (if Downpayment only) or meet DED Housing Rehabilitation Standards (after rehabilitation, if part of the project)
- d. Proposed homes for purchase that were constructed prior to 1978 must pass a “Lead Paint Hazard Screen” and/or a “Lead Paint Inspection/Risk Assessment” report.
- e. The home in question may not put the applicant in financial stress. The home must be affordable for the applicant or applicant’s financial status.
- f. A housing committee will determine the affordability of the project by the homeowner’s credit scores, the lender’s criteria for a mortgage, payroll receipts for 1-year and/or tax returns for the past 2 years.
- g. Homeowner’s insurance will be required to be in compliance with the Second Deed of Trust. The insurance company or homeowner will need to send a copy of payment to TCEDA.
- h. “Creditworthiness” is also a criterion for approval of assistance. A “credit report” may be required.

2.0 PROPERTY ELIGIBILITY

2.1 Location

Housing units in all municipalities within Thayer County of the County are eligible. TCEDA will not assist in the purchase of properties within a 100-year Flood zone, nor properties within any identified “wetlands”.

2.2 Purchase Price

Total home acquisition cost not to exceed \$117,000, including the cost for land and improvements. This level of cost is applicable to for the purchase of **existing homes only**.

2.3 Eligible Property Types (Purchaser's Principal Residence)

- Single family property (one unit)
- Condominium unit
- Manufactured home, only when on a permanent foundation.

3.0 TYPES OF FINANCIAL ASSISTANCE

3.1 Maximum Subsidy

The maximum home loan subsidy will be \$17,000. The subsidy to any buyer shall not exceed the lesser of (1) \$17,000 or (2) 20% of the purchase price, or (3) the amount of money necessary to pay the purchase price after expending all liquid assets of the purchaser, which exceeds \$5,000, after the 2% downpayment requirement.

3.2 Downpayment

The TCEDA will require a minimum 2% of the total purchase price, including closing costs from the borrower as downpayment.

All Program applicants will be encouraged to secure permanent financing from Thayer County lenders participating in TCEDA programs. These include; Thayer County Bank, Midwest Bank and the Bruning State Bank.

The proposed homebuyer may also seek other permanent financing sources. All applicants will be required to secure a Single Family Mortgage from a secured lender of their choice to purchase the single-family home. The mortgage must be one that is from a secured lender, that has underwriting consistent with conventional financing. The housing and overall debt ratios must not exceed standard ratios as determined by conventional types of mortgage loans. Because the Program is based upon developing affordable housing, the TCEDA reserves the right to reject participating with any permanent financing that does not meet "affordable" criteria, as determined by the Program. "Referrals" with USDA-Rural Development (and other identified Federal/State agencies, which may provide financing for affordable housing) will be coordinated by TCEDA. Lenders will be encouraged to participate in Nebraska Investment Finance Authority (NIFA) programs and with the Federal Home Loan Bank (FHLB) programs.

A subordinated lien will be placed upon the property at the time of signing the promissory note in an amount equal to the Program subsidy. This Deed of Trust in favor of TCEDA will take a subordinate position to the permanent financing instrument.

No interest will accrue on the subsidy "deferred loan". The subordinate lien shall be in effect for the term of ownership. Payment of the note is required upon sale, transfer of ownership, abandonment or renting-out the property.

Subordination requests will be considered on a case-by-case basis; there must be sufficient equity to protect the organization's interests. Refinances will only be permitted for the amount of the existing balance plus closing costs up to the original first mortgage loan amount. Subordination will not be granted in cases where the home owner is receiving cash from the

transaction or consolidating debt, except in documented case of illness-related hardship. All costs will be paid by the homeowner including Attorney Fees.

3.3 Minor Rehabilitation

TCEDA may provide funds to complete minor repair and/or rehabilitation work in the form of a **“conditional grant”** to meet Nebraska Department of Economic Development (DED) Rehabilitation Standards. The grant may be \$0 (zero dollars) or may be up to \$10,000, that amount will be determined by the repairs needed for the house to pass the HUD guidelines. The maximum amount of these grants will be \$10,000 per home. Any and all work to be completed must meet the DED Rehabilitation Standards. Additional rehabilitation funds may also be secured through the USDA RD Section 502 or 504 programs. TCEDA reserves the right to deny assistance in the event that the rehabilitation work required to bring the home up to DED Housing Rehabilitation Standards exceeds the maximum allowable grant amount of \$10,000 and/or the home cannot be brought up to the Standards. All approved rehabilitation work will be completed after the purchase of the property and must be completed within 6-months of the purchase closing date. Failure to complete the work within the 6-month period will cause the homeowner to be in default of their contract for the Down Payment Assistance Program. This default will make due the Down Payment to the TCEDA Homeowner's Program within one year from the closing date.

This grant will be a forgivable grant if and when the homeowner uses the home as their principal residence for a period of 5 years from the purchase date. If the homeowner should move, rent, sell or transfer the title of the home for their convenience within this five (5) year period, they shall reimburse the TCEDA at a monthly pro-rata rate for the sixty (60) month period (i.e., should the owner move, rent the home, sell or transfer title after 10 months from the effective date, the TCEDA shall be reimbursed for 50 months of the 60-month period).

3.4 Minor Rehabilitation Process

The home will be inspected before the purchase completion is finalized. If items are found to be out of compliance by the HUD guidelines, those items will be identified to be repaired. All items that need to be repaired on the house will be done by getting an estimate for the work needed to bring the house up to the HUD standards. The responsibility to get these estimates are the new homeowner's. Most items will need at least two estimates with a third estimate preferred. These estimates will be given to the housing committee and they will determine who is awarded the contracts. The contractor will sign the contracts before any work is completed. If two estimates cannot be found it will be up to the committee to determine if the estimate received is to be honored. Any item that is repaired before the committee okay's the job, the responsibility to pay for the item will be the home owners. The committee has the right to ask for more estimates for any item to be replaced or repaired.

The minor rehab work needed to bring the home up to HUD standards must be done within 6 months after the closing date. Failure to do so will cause the homeowner to be in default of their contract for the Down Payment Assistance Program. This default will make due the Down Payment to the TCEDA Homeowner's Program within one year from the closing date. Communication between the homeowner and the program manager is a must, an extension may be considered for unknown reasons. An extension will only be permitted by the program manager and the TCEDA housing committee. All work and clearance still must be completed before the grant's end date, no exceptions will be allowed beyond that date.

4.0 SALE OF HOME (After assistance)

In the event the borrower or borrower's shall sell or transfer said property, full repayment of the deferred loan shall become due and payable to TCEDA. In the event insufficient equity exists in the property at the time of the sale, the borrower may be allowed to repay an amount less than the full amount, subject to the approval of TCEDA.

A deed restriction shall be recorded on the borrower's property, which incorporates the following provisions:

- The borrower's household must use the property as its principal residence.
- Full repayment of the Program subsidy will be required. In the event insufficient equity exists in the property at the time of sale, the borrower may be allowed to repay an amount less than the full amount, subject to the approval of TCEDA. This is defined as "**Net Proceeds**" and amounts to the sales price of the property minus any closing costs and minus any repayment of prior liens on the property.

Program participants must meet the loan standards established by their lender (including the requirements of the financing programs utilized). The TCEDA Program funds will be offered to the borrower as a "deferred loan".

THE RESALE PRICE OF THE HOME SHALL BE SUBJECT TO APPROVAL BY THE TCEDA TO ENSURE "FAIR MARKET VALUE".

4.1 Program Income Reuse

In the event repayment of the Program funds occur, those funds will be used to continue the Program under the most current guidelines. Loans will be made to income-eligible persons/families to provide down payment assistance for the purchase of single-family homes, under criteria of this Program, or under criteria of any future Programs implemented by TCEDA and approved by NDED.

Recaptured Funds (defined as payments received during the "affordability period" of a specific unit) may be used for project costs of loans or rehabilitation construction costs and Project Management /soft costs for each new unit.

Program Income (defined as payments received after the affordability period of a specific unit) may be used for Administrative purposes, with a maximum of 10% of available funds. Program Income may also be used for Project Management /soft costs.

NAHTF funds (Recapture or Program Income) received by the Grantee (TCEDA) must be expended before drawing down additional funds during the open grant program.

Program Income/Recaptured funds under this program will be tracked by Grant Program number **NAHTF #12-TFHP- 6016**. All Program Income/Recaptured funds from the Grantee will be returned to NDED for reuse unless the Department offers the option to retain program income or the Department approves the Program Income Reuse Plan prior to receiving a "Release of Funds".

5.0 FORECLOSURE

The Deed of Trust will set the criteria for any foreclosure, based upon the default conditions outlined and detailed.

6.0 APPLICANT PROCESS

6.1 Applicant Marketing Process

At a time and date established by TCEDA after approval of funding, official solicitation of applicants will begin for the Program. TCEDA will advertise the availability of the Program utilizing the most effective means possible of reaching the local public. This may include, but is not limited to, the use of local newspapers, public access via local media (radio, television, etc.), distribution of brochures or other marketing materials and the posting of notice at selected public and/or private facilities. *Special marketing efforts will be made 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.*

6.2 Application/Financing Process

Program applicants will contact the Program Manager to review the Program Guidelines and the assistance available from the Program. The Program Manager will be responsible for pre-qualifying the applicant, verifying income (**using Part 5 Annual Income evaluation**), and determining eligibility for participation in the program.

If the applicant is determined eligible for assistance from the Program by the TCEDA Board, the Program Manager will refer the applicant to primary lenders for long-term financing

6.3 Procedure for Approval

Program applicants will be assisted on a first come, first served and first to close basis. The date and time the applicant submits and signs a completed application for permanent financing shall be documented and a list of applications shall be maintained by the Program Manager.

A waiting list, indicating date and time of contact, of interested persons shall be kept and once an applicant becomes ineligible, the next approved applicant shall be contacted.

Written notification of “selection” for participation in the program will be made to clients, including requirements to meet “obligation “ of funds and loan closing. Applicants who are not selected for participation will also receive written notification, including reasons for “non-selection.”

Obligation of funds by TCEDA for eligible projects will be in a timely manner and can be anticipated within 60-days of selection. “Closing” for purchase of the property must be within 6-months of that obligation or reverification of eligibility must be completed.

7.0 LOAN CLOSING

7.1 Initial Closing

The primary lender and the TCEDA will coordinate the “Loan Closing” process with the borrower, the TCEDA and any appointed closing agent. The primary lender will facilitate and coordinate the closing process at which time the borrower will execute the following documents for the TCEDA:

- A. Promissory Note
- B. Deed of Trust
- C. Acknowledgement of receipt of copy of the approved Program Guidelines

The primary lender, or its closing agent, will be requested to file the security documents (at the County Register of Deeds office) on behalf of the TCEDA in appropriate lien position.

7.2 Program Loan Close-Out

After loan closing, the primary lender will be requested to forward a copy of their executed promissory note and deed of trust documents to TCEDA. TCEDA shall maintain and keep all applications, as well as all other required documents, records and other evidence in conformance with Program regulations.

7.3 Minor Rehabilitation

Upon purchase loan closing, rehabilitation work on the property may be undertaken. Prior to occupancy the home must be free from any defects that pose a danger to the health and safety of occupants and not later than 6-months after property transfer. Upon request for payment, TCEDA will have an inspection completed to review progress and to ensure completed work meets DED Rehabilitation Stands prior to authorizing payment.

8.0 GRIEVANCE PROCEDURES

In the event any Program applicant feels he or she has been unfairly treated or discriminated against during the process of selection of applicants to be funded, or within any other segment of the Program, excluding the determination of eligibility to secure permanent financing, he or she may appeal the decision to TCEDA for their consideration. The President of the TCEDA must receive the appeal in writing within fifteen (15) calendar days of the decision. TCEDA will then act to support or overturn the action with fifteen (15) days of the TCEDA decision.

Appeals regarding permanent financing shall be made to the proposed agency, financial institution, etc. in accordance with their procedures.

9.0 AMENDMENTS TO THE GUIDELINES

In an ongoing effort to improve the quality of the NAHP funded Program, TCEDA will receive any suggestions on amendments to the Guidelines from the public, Program participants, realtors, financial institutions or members of TCEDA. Upon review and approval by the Board of Directors of the Thayer County Housing Corporation, Inc., the HOP Guidelines may be amended. Review/approval of proposed Amendments must also be made by NDED.

10.0 OFFICIAL CONTACT OFFICE

The official contact person/office for the Program shall be: Program Manager; Thayer County Economic Development Alliance, 225 North 4th Street, Hebron, NE 68370, (402) 768-7407. This in no way shall be construed to limit other interested parties from distributing information about the Program or receiving suggestions for amendments to the Program.

11.0 REPORTING REQUIREMENTS

11.1 Reports and Information

In accordance with the Nebraska Affordable Housing Program requirements, the TCEDA at such times and in such forms as the NDED may require, shall furnish the NDED such periodic reports as it may request pertaining to the work or services undertaken pursuant to this contract, the

costs and obligations incurred or to be incurred in connection therewith, and any other matters covered by this contract.

11.2 Findings Confidential

All of the reports, information, data, etc. prepared or assembled by the Thayer County Housing Corporation under this contract are confidential and TCEDA agrees that they shall not be made available to any individual or organization without prior approval of the TCEDA Board.

12.0 RECORDING REQUIREMENTS

The TCEDA agrees to maintain records for ten years after a formal “close-out” of the program in DED. In general such records will include information pertaining to the contract, obligations and unobligated balances, assets and liabilities, outlays, equal opportunity, labor standards (as appropriate), fair housing and performance. NDED and duly authorized officials of the State and Federal Government shall have full access and the right to examine any pertinent documents, papers, records, and books of the TCEDA involving transactions to the local program and contract.

13.0 UNIFORM RELOCATION AND ASSISTANCE ACT OF 1970 (URA)

TCEDA does not have the power of eminent domain and will not invoke those powers, if they become available to the organization.

All transactions in the purchase of property by applicants or clients of the TCEDA will be between a willing seller and a willing buyer. If the negotiations between the buyer and seller do not end in a final agreement for sale, the TCEDA will not attempt to force any purchase.

The TCEDA will not assist in the purchase of properties for which there is a rental tenant in place, unless that tenant is the proposed “applicant/buyer” for the property. If the “applicant/buyer” occupies the identified property prior to purchase, and if the property needs rehabilitation that would cause the “applicant/buyer” family to relocate for a period of time, that relocation will be deemed voluntary and all costs of that relocation will be borne by the “applicant/buyer”. TCEDA will not undertake any projects for which “relocation” benefits would be provided, unless a waiver of benefits is approved by the “applicant/buyer”.

14.0 FAIR HOUSING

This program will be in compliance with the “Fair Housing Act”. The Act prohibits specific kinds of discriminatory acts as described herein, regarding housing if the discrimination is based on race, color, religion, sex handicap, familial status or national origin: Refusal to sell or rent or otherwise deal with a person; Discrimination in the conditions of terms for sale, rental or occupancy; Falsely denying housing is available; Discriminatory advertising; “Blockbusting”;

causing person(s) to sell or rent by telling them that members of a minority group are moving into the area; Discrimination in financing housing by a bank, savings and loan association or other business; Denial of membership or participation in brokerage, multiple listing or other real estate service; Interference (intimidation, threats, coercion, etc.) to keep a person from the full benefits of the Federal Fair Housing Law.

The TCEDA actively supports Fair Housing Activities and will assist applicants in completing Housing Discrimination Complaint forms to the Department of Housing and Urban Development (HUD).

15.0 LEAD PAINT HAZARDS AND TEMPORARY RELOCATION

Because of requirements to mitigate lead-base paint hazards, “temporary relocation” of homeowners may be necessary for “safe work practices.” If temporary relocation is deemed necessary by the Program Management, relocation activities will only be at the voluntary acceptance and expense of the homeowner.

16.0 PROGRAM MARKETING

The TCEDA will provide marketing and promotional materials to news outlets (newspaper, radio, and websites) within Thayer County and communities. The materials will include program summary, application forms and contact information. The TCEDA will make every effort to provide program materials to local and regional organizations that represent or provide services to lower income persons/families, tenants of public housing and public housing agencies.