Addendum

Homebuyer Assistance Program Guidelines
For the Implementation of NSP Funded Assistance

It is necessary for grantees that intend to implement an NSP funded Homebuyer Assistance Program to observe and modify, where necessary, their existing program guidelines. This can be accomplished by certifying this addendum will be used with existing guidelines or by adopting altogether new NSP Homebuyer Assistance Program Guidelines.

The addendum was created to amend particular sections of the consolidated sample guidelines for State run CDBG, HOME and CalHome homebuyer assistance programs.

INTRODUCTION

Homebuyer assistance is an eligible activity under the Neighborhood Stabilization Program (NSP) use of financing mechanisms. This addendum can be used with existing CDBG Homebuyer Assistance Program Guidelines. Outlined are additional NSP requirements to be followed for compliance with federal guidelines along with the implementation of NSP funded assistance.

NSP is a short-term program with some distinct differences with regards to the implementation of the homebuyer assistance. The following items outlined the distinct differences for each section of the existing CDBG guidelines and explain the differences in the sections titled “NSP Notes.”

GRANTEE RESPONSIBILITIES

Grantees are responsible for meeting all the terms of their NSP contract including compliance with applicable environmental, relocation laws, appraisal laws and affordability provisions. Grantees must document each household assisted.

Although many CDBG policies and regulations will be applicable to the State NSP, the (City/County) must assure implementation of the following changes, in accordance with the Department of Housing and Community Development, with regard to the NSP funded Homebuyer Assistance Program.
APPLICATION PROCESS AND SELECTION

**NSP Notes:** Each jurisdiction must outline their process and selection of foreclosed homes and homebuyers in their addendum and included written intentions of meeting the following NSP requirements of:

- All NSP funds made available **must be** used for individuals and families whose incomes do not exceed 120% of area median income (AMI) within areas identified as having the greatest need.

- Acquired properties **must be foreclosed.** A foreclosed property is typically REO by an institution or agency.

- All properties purchased in whole, or in part, with NSP funds **must be acquired at a discount** from their current market value, determined by discounting an appraised value that considers the current condition of the property. The minimum discount per property is 1% less than the current market appraised value. A qualified appraiser must be hired by the agency, or subrecipient and the sales price must be negotiated at a discount of 1% or greater from the current market appraised value.

*Current market appraised value:* means the value of a foreclosed home or foreclosed residential property that is established through an appraisal made in conformity with the appraisal requirements of the URA at 49 CFR 24.103 and completed within 60 days prior to an offer made for the property by a grantee, subrecipient, developer, or individual homebuyer.

- All properties assisted with NSP funding **must adhere to affordability provisions.** HOME Program standards at 24 CFR 92.252 and 92.254 are acceptable to be in minimal compliance with affordability standards. If other standards are proposed by a grantee, they must exceed the standards of the HOME Program. HOME affordability provisions are directly tied to term levels based on the amount of funds spent on a project.

1.3. THE HOME PURCHASE PROCESS

B. 2) The presented offer is an estimate of the discounted fair market value of the housing unit, with the fair market value to be finally determined by a state licensed appraiser.

**NSP Notes:** If property was acquired by the local agency, or subrecipient, there must be documentation of the appraised value of the property at time of purchase, less minimum 1% discount, plus any capital costs invested into the rehabilitation of the property since the purchase. The sale to the homebuyer cannot exceed the cumulative costs of these items.
B. 3) The housing unit will be subject to inspection.

**NSP Notes:** At minimum, a property must meet the Section 8 Housing Quality Standards (HQS) at 24 CFR 982.401, applicable building codes, zoning ordinances, and cost-effective energy conservation standards. A written housing rehabilitation standards statement should describe the level of acceptable improvements and reference applicable codes. These standards must be addressed with any units impacted by NSP funds partially, or in full.

All properties that receive NSP funds for housing rehabilitation must be documented by the lead agency (documentation should include a conditions survey of each property's housing unit outlining the level of deficiencies prior to rehabilitation and must be retain this information in file). At the conclusion of rehabilitation work to the home or residential property, documentation must be tracked to include a description of the improvements, including actual costs. All documents must be retained within the lead agency file.

Reporting will be required at a minimum on a quarterly basis to the State. Such reporting may include, but not be limited to, the amounts expended per unit, its location and beneficiary information.

B. 5) Since the purchase would be voluntary, the seller would not be eligible for relocation payments or other relocation assistance.

**NSP Notes:** If the property is tenant occupied and under some circumstances, per the Uniform Relocation Act (URA), the occupying parties may be eligible for relocation benefits. Uniform Relocation Act Amendments of 1987, and later 2005, contains requirements for carrying out real property acquisition of the displacement of a person, regardless of income status, for a project or program in which HUD financial assistance is provided. The implementing regulations, 49 CFR Part 24, include steps which must be taken with tenant occupants, including those who will not be impacted by the HUD assisted activity.

Grantees need to be aware that the tenant protection requirements in the Recovery Act are separate and apart from the obligations imposed on grantees by the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA). The URA applies to any person displaced as a direct result of acquisition, rehabilitation, and/or demolition of real property for a Federal or federally-assisted project. Eligibility determinations under the URA and the required notices and relocation assistance requirements are different and separate from the tenant protections in the Recovery Act. Grantees cannot assume that a person entitled to the tenant protections under the Recovery Act is also eligible for assistance under the URA (or vice versa).

B. 6) The seller understands that the housing unit must be either: currently owner-occupied, newly constructed, a renter purchasing the unit, or vacant for four months prior to submission of the purchase offer.

**NSP Notes:** The housing unit must be abandoned or foreclosed and occupancy is not an absolute as mentioned in the above statement. In some cases the jurisdiction will be the holder of title and the unit may be occupied for the interim. Other scenarios could apply as well with NSP.

C. Applicant submits executed standard form purchase and sale agreement and primary lender pre-qualification letter to the Program Operator. The purchase and sale agreement will be contingent on the household and housing unit meeting Program eligibility requirements and receiving Program loan approval. Program Operator verifies applicant eligibility, housing unit and loan eligibility and amount of assistance to be provided consistent with these guidelines.

**NSP Notes:** The applicant would not have submitted a standard form purchase and sale agreement in conjunction with the NSP program. This is due to the purchase negotiations and initial transaction being executed between lender holding the REO interest and the grantee, or subrecipient.

Purchase negotiations are to be between the NSP grantee, or subrecipient acting on behalf of the grantee, and the lender holding interest in the REO property to ensure the 1% discount requirement is met. The homebuyer will be buying the property directly from the grantee or subrecipient.

D. Any work to be completed after purchase will be undertaken through the Program’s housing rehabilitation program.

**NSP Notes:** If a housing unit required rehabilitation, all work must be completed to bring the property into compliance. At minimum all units must meet the Section 8 Housing Quality Standards (HQS) at 24 CFR 982.401, applicable building codes, zoning ordinances, local housing rehabilitation standards and cost-effective energy conservation standards.

Up to $75,000 in NSP funding is available for housing rehabilitation activities, including energy efficiency improvements and relocation assistance. General property improvements (landscaping, fencing, etc.) are also allowable expenses. This assistance, as well as activity delivery shall not be included in the 49% total indebtedness restriction.

F. When Primary Lender requirements are met, Program funds are deposited into escrow, with required closing instructions and loan documents.

**NSP Notes:** If property rehabilitation is required the beneficiary may be eligible to receive a loan or grant to fund repairs. It is recommended that a contractual agreement
between the grantee and homebuyer be executed to clarify when occupancy is or isn’t allowed prior to completion of rehabilitation work.

### 1.4. HOMEBUYER COSTS

**NSP Notes:** There are no requirements that match or leverage funds be offered for obligation, but it is not discouraged. NSP can include these requirements at the local level, if deemed applicable.

### 1.5. HOMEBUYER EDUCATION

**NSP Notes:** HUD requires that all homebuyers receiving NSP assistance must document proof of attending 8-hours of homebuyer training, from a HUD accepted homebuyer education provider, to be eligible for the NSP program.

### 2.1. CURRENT INCOME LIMITS FOR THE AREA, BY HOUSEHOLD SIZE

**NSP Notes:** All applicants for NSP must be at or below 120% of the area median income for household size, as published by HUD each year. See the following links:
http://www.huduser.org/datasets/nsp/FY2009Section8Limits_50_120_reformat.xls
http://www.huduser.org/Datasets/IL/IL09/ca.pdf

### 3.1. LOCATION AND CHARACTERISTICS

D. Housing units located within a 100-year flood zone will be required to provide proof of flood insurance in order to close escrow.

**NSP Notes:** All location and characteristics are applicable to NSP. The unit must be located in the area(s) identified as the area of greatest need in the application.

Regarding item ‘C’ the units must be in compliance with State and local codes and ordinances, in most cases, by time of occupancy.

Costs to repair and mitigate deficiencies should be considered. See Condition section below (3.2).

### DESCRIPTION OF LOAN PROGRAM

### 5.0. THE PRIMARY LOAN

Prior to obtaining a loan from the Sponsor, a homebuyer must provide evidence of financing for the maximum amount the Primary Lender is willing to loan (the “primary loan”).

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NSP Notes: The NSP funded homebuyer program must describe the type of assistance (i.e., loan or grant), range of interest rates, and duration of term of assistance, tenure of beneficiaries (i.e., rental or homeownership) and design of the activity to ensure continued affordability for the maximum feasible term.

Rehabilitation assistance shall be provided in the form of a grant, or will be performed by the grantee prior to resale of the property to a qualified income eligible individual or family.

All other guidelines outlined in the jurisdictions CDBG homebuyers assistance program guidelines, of which this is an addendum, will be followed with regard to any areas unmentioned in this document.

NAME OF CERTIFYING OFFICIAL: Robert A. Lewis

TITLE OF CERTIFYING OFFICIAL: Development Services Director

Signature ____________________________ Date 7/26/2010