

LRGVDC HURRICANE DOLLY CDBG-DR FUNDING

ROUND 2.2

Disaster Recovery Program Homebuyer Assistance Program Notice of Funding Availability (NOFA)

Published and Released June 5, 2013



The Lower Rio Grande Development Council (“the LRGVDC”) announces the availability of approximately \$4,514,083 in funding from the Round 2.2 Housing Allocation for a Homebuyer Assistance Program (“HBA Program”). Funding amount is contingent to LRGVDC Contract with Texas General Land Office (GLO) conditions. Of this amount, five percent (5%) will be set-aside for a closing fee paid to the Administrator upon the closing of each loan. Eligible Applicants must be approved by the LRGVDC to participate in the HBA Program and must execute a HBA Participation Agreement (Agreement) and already have a single family HBA Program or Affordable Home Program operating in Cameron, Hidalgo and/or Willacy Counties in order to originate loans under the HBA Program and secure these funds for an eligible Borrower.

The HBA Program serves any individual or family who was impacted by the Hurricane Dolly and whose annual income does not exceed 80% of the Area Median Family Income (AMFI), as defined by the HUD. For purposes of these funds, Dolly impact could pertain to anyone who previously has had a home that was damaged, lived with someone who had storm damage, lived in rental property that was damaged, or were displaced after rents were raised to no longer be affordable after damage repair. Eligible Borrowers may receive up to a \$40,000 zero percent interest forgivable loan (\$40,000 is inclusive of closing fee). Funds may be used for down payment, gap financing, and/or closing cost assistance for the acquisition of a Single Family Home that must be the principal residence for the eligible Borrower. The deferred forgivable loan is amortized over a period of ten (10) years. The loan is forgivable at a rate figured by dividing the total loan by the number of years. For each year the Applicant (Borrower) lives in the home the loan will be forgiven. If the owner abandons, sells or leases the home prior to the end of the loan term, the total amount remaining will be due and payable.

Eligible Administrator Applicants for funding requests are Units of Local Government, Nonprofit Organizations, Public Housing Authorities (PHAs), for-profit organizations or any other entity authorized by the Texas Department of Housing and Community Affairs as published on their website and operating in Cameron, Hidalgo and/or Willacy Counties.

The LRGVDC will begin accepting Applications in the form of a Homebuyer Assistance Program Certification Application starting on **June 5, 2013**, and will continue to accept Homebuyer Assistance Program Certification Application on an ongoing basis until the earlier of when all HBA Program funds are committed, or until October 31, 2013.

The availability and use of these funds are subject to the approval of GLO and will require the funds to be set-up as part of the GLO contract system prior to closing. Documents creating the loan and the affordability/forgiveness period must be signed at closing.

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Definitions

- a) Definitions, this NOFA uses the following definitions:
- i. Administrator- A unit of government, nonprofit entity or other party who has a written contract with an applicant who has been approved by the LRGVDC committing the LRGVDC to provide funds upon the completion of certain actions called for in the HBA Agreement.
 - ii. Applicant- A person who has submitted a Homebuyer Assistance Program Certification Application and an HBA Agreement for LRGVDC funds.
 - iii. Borrower- An individual(s) who receives or borrows an amount of money from the LRGVDC and is obligated meet the affordability period or to pay back or repay an equal amount of money to the LRGVDC at a later time.
 - iv. Participation Agreement- The executed written agreement between the LRGVDC and an Administrator performing an activity related to a program that outlines performance requirements and responsibilities assigned by the document.
 - v. Closing Fee- Eligible costs to develop the closing documents for the Program. The Administrator will be paid a five percent (5%) closing fee upon the closing of each loan. Closing Fee must be requested at the same time as the funding request.
 - vi. Damage by Dolly- For purposes of these funds, damages could be anyone who previously has had a home that was damaged, lived with someone who had storm damage, or lived in rental property that was damaged or rents were raised to no longer be affordable after damage repair.
 - vii. Funding Request- Program funds approved by the LRGVDC to be disbursed to the Administrator.
 - viii. LRGVDC-The Lower Rio Grande Valley Development Council
 - ix. Loan-to-Value (LTV) Ratio- The amount of all mortgage liens as a percentage of the total appraised value of real property.
 - x. Project Costs- HBA Program funds that directly assist an eligible Borrower in the form of down payment, gap financing and/or closing costs, including closing fees.

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- xi. Purchase Contract- The executed written agreement between the Borrower and the Seller of the property with associated improvements.
- xii. Senior Lien- A lien that takes priority over the LRGVDC's lien and any subsequent liens.
- xiii. Setup- The submission of required information into set up system in order to reserve HBA Program funds for an eligible Borrower for the activities specified in this NOFA.
- xiv. Single Family Home- A single-family detached unit, condominium unit, manufactured housing unit), townhome and/ or a single unit in a duplex or triplex.

2) Eligible Administrator Applicants

The following organizations are eligible to apply to administer the HBA Program:

- a) Units of Local Government;
- b) Nonprofit Organizations;
- c) Public Housing Authorities (PHAs);
- d) For-Profit Organizations; and
- e) Any other entity authorized by the Texas Department of Housing and Community Affairs' Executive Director and published on their website operating in Cameron, Hidalgo and/or Willacy Counties.

Organizations interested in applying to administer the HBA Program must complete the Homebuyer Assistance Program Certification Application.

3) HBA Program Requirements

- a) The HBA Program provides eligible Borrowers with down payment, gap financing, and closing costs assistance for the acquisition of a Single Family Home that must be used as a principal residence.
- b) Eligible property types are Single Family Homes that have not had renters occupying the home within 90 days of the purchase contract date except where current tenants are acquiring the property and improvements.
- c) Borrower's income may not exceed 80% of the Area Median Family Income (AMFI) in Cameron, Hidalgo and Willacy Counties. Calculation of a Borrowers income shall be based on the HUD "Part 5 Annual Income" conditions.
- d) Borrowers must complete 8 hours of HUD approved Homebuyer Training.

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- e) Were residents of Cameron, Hidalgo or Willacy Counties on July 23, 2008 in either a rental housing unit, living with a friend/family member, or possibly home ownership.
- f) Agree to a Ten (10) Year Affordability period that is deferred annually as long as the applicant maintains the home as their principal residence, maintains insurance, and stays current with property taxes, by payment, payment plan, or deferral.
- g) The home to be purchased is located in an allowable HOP area within the three counties.
- h) Home to be purchased must be a single-family residence (detached house, townhouse, or condominium). Duplexes, triplexes, and four-plexes are not eligible properties under the Program. New manufactured homes are eligible only if permanently affixed to real property. Recreational vehicles, campers and other such vehicles are ineligible.
- i) The value of subject property must not exceed ninety-five percent (95%) of the median value for the area. HUD regulations governing the HOME program, use the **FHA 203 (b) mortgage limits** as the substitute for the 95% median value for one (1) to four (4) family homes.
- j) Subject property must pass a **Property Maintenance Standards (PMS) evaluation**, prior to commitment of program funds. Evaluations will be performed free of charge. All noted deficiencies in the PMS report must be addressed before the final settlement date without consideration of grant funds. Newly constructed units must have a Certificate of Occupancy issued.
- k) Subject property built prior to 1978 must meet applicable HUD regulations regarding Lead Based Paint in accordance with 24 CFR Part 35.
- l) Subject property must be located within a Zone C, B, or X (for newer maps) flood zone. Generally, properties located in Zones A or V are ineligible.
- m) Subject property must be located in an area where Federal Assistance is permitted. Housing units located in areas where the use of Federal funds is strictly prohibited by the Coastal Barriers Resources Act or located within a runway clear zone of a civil or military airport are ineligible.
- n) The applicant(s) must be current on any child support obligations.
- o) Must complete the Program Forms and agree to the Program Restrictions.
- p) Must qualify for financing using up to \$40,000 for down payment assistance and closing

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costs—but only the amount necessary.

- q) The household debt to income ratios will be 31%/43%.
- r) Subject property cannot be used for rental, commercial or other non-principle place of residency.
- s) Borrower agrees to maintain Hazard Insurance, Wind Insurance, and Flood Insurance (if applicable)

4) Mortgage Loan

- a) The home must be secured by a Mortgage.
- b) The HBA Program lien may only be 2nd or 3rd lien position.
- c) Senior Liens must meet the following Loan requirements, which shall be verified by an executed Loan Underwriting and Transmittal Summary (such as Fannie Mae form 1008) or equivalent document(s):
 - i. The Senior Lien loan must be a fully amortized, fixed-rate loan and cannot be an adjustable rate Mortgage (ARM) or Subprime Mortgage Loan.
 - ii. The following types of loans may be used in conjunction with the program:
 - (1) FHA
 - (2) VA
 - (3) USDA/RD/RHS
 - (4) Fannie Mae Conventional
 - (5) Freddie Mac Conventional
 - iii. Uninsured loans may be used with the HBA Program subject to the LRGVDC's approval.
 - iv. Fee/Points Administrator may charge borrower. Unless the Senior Liens(s) are insured or guaranteed by USDA, FHA, VA, Fannie Mae or Freddie Mac, the following fee limits apply:
 - (1) Origination Fee: 1%
 - (2) Buyer Points: 1%
 - (3) Title Policy (if paid by Borrower): 1%
 - (4) Application Fee: May not exceed \$325 (includes compliance & funding fees)
 - (5) Other Closing Costs: Must be fully disclosed on HUD-1 and may not exceed 1.5% of loan amount.
- d) Maximum Debt Ratio. The total debt-to-income ratio may not exceed 31%/43%.

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unless the Senior Lien(s) are insured or guaranteed by USDA, FHA, VA, Fannie Mae or Freddie Mac.

- e) Home value limits. The total contracted purchase price of the housing unit must not exceed 95% of the Single Family Mortgage Limits under Section 203(b) of the National Housing Act and the Loan-to-Value (LTV) ratio may not be equal to or greater than 100%.
- f) The LRGVDC reserves the right to deny assistance in the event that the Senior Lien conditions are not to the satisfaction of the LRGVDC, as outlined in this NOFA.

5) LRGVDC Lien and Loan Requirements

- a) A Borrower may receive a 0% interest deferred forgivable loan up to \$38,000 for down payment, gap financing and/or closing costs for the purchase of a principal residence but must be reasonable to the needs of the applicant.

The loan is repayable if the affordability period is not met and will be amortized over a period of ten (10) years.

- b) If, any time prior to the end of the loan term, the Borrower sells the property, or no longer occupies the property as their principal residence, the remaining loan balance shall become immediately due and payable. For purposes of this section there will be no credit for partial years.

6) Reserving Funds (Setups).

- i. After a purchase contract has been executed, the Administrator may submit the required Setup information in order to reserve funds for the Borrower in the GLO Setup system. All documents listed on the setup checklist must be submitted for review and approval prior to closing of the Senior Lien.
- ii. LRGVDC staff will review the submitted documentation within **ten (10) business days** in accordance with this NOFA.

If the Setup is approved by the LRGVDC, it becomes a Commitment and is valid for **sixty (60) days** and the Administrator must ensure that all mortgage loans are closed during this **sixty (60) day** period. A Setup that has not been approved by the LRGVDC and is incomplete or has not been corrected by the Administrator will not become a Commitment. The Administrator must resubmit the Setup documents with corrections completed if funds are available.

- iii. Maximum Pending Setups. At any one time, the Administrator may have up to ten (10) unapproved Setups awaiting approval (“pending”). If the Administrator has the maximum ten (10) Setups pending, new Setups will only be reviewed by the LRGVDC once an existing unapproved Setup becomes a Commitment (if approved) or is cancelled.

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iv. Extensions. The LRGVDC may grant one-time extension of **thirty (30) days** to any Commitment due to extenuating circumstances that were beyond the Administrator’s control upon receipt and approval of a written request. If the Administrator cannot close the loan within the **thirty (30) day** extension, the Commitment may be cancelled. The Administrator may submit another Setup if funding is available.

7) Commitment Modification. After a Reservation has been approved by the GLO, the Applicant Administrator will not be permitted to change, exchange, replace or switch Borrower applicants.

8) Funding Requests. Funds may be reimbursed to the Administrator for eligible Project Costs and Closing Fees that occur within the Contract period.

i. Funding Requests. The Administrator must submit a Funding Request after a Setup is approved and all mortgage loans have closed. A Funding Request may be submitted to the LRGVDC via regular mail or email and must be submitted along with all documents required by the LRGVDC.

ii. Closing Fee requests. After an eligible Borrower closes the mortgage loan, the Administrator must submit a Funding Request for the Closing Fee.

iii. Upon submission of the Funding Request to the LRGVDC via regular mail or email the LRGVDC will review the submitted documentation within **ten (10) business days** in accordance with this NOFA.

iv. If a Funding Request is in “disapproved” status for more than **thirty (30) days** without further correction(s) from the Administrator, the LRGVDC will delete the reservation from the Reservation System.

9) Housing Standards and Requirements.

If, the Senior Lien(s) are insured or guaranteed by USDA, FHA, VA, Fannie Mae or Freddie Mac, no inspection is required.

Uninsured loans utilizing HBA Program funds must be inspected and meet the following requirements:

a) All HBA Applicant’s housing whether New Construction or Existing Homes must be in a HOP eligible Area as defined by the Texas General Land Office HOP GIS Program.

b) New Construction: If the property being purchased is a new construction and located within an incorporated area where certain building codes must be met, the LRGVDC will require a copy of the certificate of occupancy. If no certificate of occupancy is available from an incorporated area the Administrator must obtain a document from the local government entity indicating that the home has passed all required building codes.

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A copy of the certificate of occupancy or any other document received from the local governing entity must be submitted to the LRGVDC for approval upon completion of construction. All new construction properties located outside an incorporated area must be inspected by a third party professional inspector licensed by the Texas Real Estate Commission (TREC).

- c) Existing Homes: If the property being purchased is located inside or outside an incorporated area; inspections of the property will be required to be completed by a third party professional inspector licensed by the TREC.

All final inspections must ensure the house is complete and safe. In both instances any deficiencies noted on the certificate of occupancy or the third party inspector's report must be corrected prior to closing unless approved by the LRGVDC.

The Administrator, Seller and/or the Borrower will be responsible for the selection and/or the fee of a licensed TREC inspector.

10) Questions regarding this NOFA and the Homebuyer Assistance Program Certification Application should be addressed to:

Lower Rio Grande Development Council
ATTN: Victor Morales
301 W. Railroad, Weslaco, Texas, 78596
Or
E-mail: vmorales@lrgvdc.org