

Southwest Nebraska Community Betterment Corporation
(SWNCBC)
Purchase/Rehab/Resell Program Guidelines

PURPOSE : To promote safe, affordable and appropriate housing in Southwest Nebraska, in the counties of Perkins, Chase, Dundy, Hitchcock and Hayes.

GOALS :

- 1) make homeownership affordable for LMI persons
- 2) increase the number of affordable housing units in the five county service area.
- 3) upgrade existing housing stock in the five county service area.

EQUAL OPPORTUNITY AND FAIR HOUSING

No person shall on the grounds of race, color, national origin, religion, sex, age, disability, familial status or sexual orientation be excluded from participation in, denied the benefits of, or be subjected to discrimination under any program or activity administered by SWNCBC and funded in whole or in part with Nebraska Affordable Housing Program funds.

AFFIRMATIVE FAIR HOUSING PLAN

Actions taken include but are not limited to:

- Material about fair housing, including Equal Housing Opportunity logos, posted in the SWNCBC office.
- Brochures include the Equal Housing Opportunity logo and statement of non-discrimination.
- SWNCBC Program Guidelines limit assistance to those under 100% area median income and target those to the greatest extent possible under 50% area median income, elderly families and disabled families.
- SWNCBC provides quarterly Home Buyer Education classes for low-income first-time home buyers in southwest Nebraska.
- Fair Housing materials displayed at the 2006, 2007 and 2008 Chase County Fair.
- Fair Housing and discrimination issues for both renters and home buyers are presented and discussed during quarterly Home Buyer Education classes presented by SWNCBC.

TYPES OF ASSISTANCE

- Down payment assistance for buyers of existing homes in Perkins, Chase, Dundy, Hitchcock and Hayes Counties. SWNCBC will offer up to \$7,000.00 in down payment/closing cost. The final amount of the assistance given depends on how much the lender requires, up to \$7,000.00. Loans and repayment will be over the 10 year affordability period and will also depend on where the family falls in the AMI (Area Medium Income). 50% and below AMI would qualify for a 100% forgivable loan; 51-65% AMI repays 50% of the loan at 0% interest over 10 years and 66%-80% AMI repays the full amount at 0% interest over 10 years.
- Repayment Policy: DPA 0% interest loans will be paid over a 10-year affordability period with monthly payments. If applicant is granted a forgivable loan the amount to be repaid will be prorated over the life of the loan. For example, 10% of the amount of the loan will be forgiven each year of the loan. After the 10-year term expires, if the original owner owns and occupies the property, the full amount of the loan is forgiven. 5% of the loan will be forgiven each year with payments being paid

back each year on monthly basis for a 50% forgivable loan.

- Existing homes will be those that are purchased and rehabilitated by SWNCBC.
- Assistance will be in the form of a second mortgage, which will accrue 0% interest.
- The entire amount of assistance due is payable 30 days after the pay-off date of the original first place loan, as stated on the buyer's Note and Mortgage. If the property is sold or the owner defaults before that date, the entire amount of assistance due is payable immediately.
- If the property is sold during the affordability period, the recapture funds will be collected and used by SWNCBC in accordance with Nebraska Dept of Economic Development's recapture requirements. If the net sale price received less the primary loan is not sufficient to repay the SWNCBC loan, the borrower will make repayment on the remaining availability of net proceeds.
- If the property is sold after the affordability period, the program income funds will be collected and used by SWNCBC in accordance with SWNCBC's Reuse Plan.

PROPERTY PURCHASED UNDER THIS PROGRAM MUST BE OCCUPIED AS A PRINCIPAL RESIDENCE BY THE HOME BUYER FOR A PERIOD OF AT LEAST TEN (10) YEARS FROM THE DATE OF SALE TO THE BUYER.

APPLICANT ELIGIBILITY:

- meet LMI income guidelines as defined by HUD (gross income at or below 100% Area Median Income)
- be a First Time homebuyer (see "Definitions", pg. 9)
- be pre-qualified and income verified by first mortgage lender
- occupy the house as their principal residence for the affordability period
- attend a homebuyer Education Class prior to closing
- keep the house up to code for two years after purchase
- have no Conflict of Interest as defined in "Conflict of Interest" in this document

INCOME ELIGIBILITY:

- Income eligibility will be determined by using 24 CFR 5.609. *The Part 5 definition of annual income is the gross amount of income of all adult household members that is anticipated to be received during the coming 12-month period.*

PROPERTY ELIGIBILITY:

- serve as the principal residence of the buyer
- meet NDED Rehabilitation Standards following rehabilitation
- meet financial guidelines (appraisal)
- be permanently attached to a permanent foundation
- not be a mobile/manufactured home
- achieve SHPO clearance
- be located in the five county service area
- SWNCBC will not purchase any property that is tenant-occupied.

MAXIMUM AFTER-REHAB VALUE

The maximum after-rehab value of any house sold under these guidelines will not exceed the Section 203(b) Single Family Mortgage Limit of \$172,632.

MAXIMUM PER UNIT NAHP SUBSIDY

The maximum per unit NAHP subsidy will not exceed \$78,323 (0BR); \$89,781 (1BR); \$109,174 (2BR); \$141,234 (3BR); \$155,031 (4BR), the 221(d)3 limit for the five county service area. SWNCBC direct assistance is secured by a note and a mortgage filed in 2nd or 3rd position against the property.

APPLICATION SELECTION:

- Applications will be taken on a “continuous” basis based on the date the application is received at SWNCBC.
- If two or more applications are received on the same day, they will be ranked by the level of household income (<100%, <90%, <80%, <70%, <60%, <50%, <40%, <30%). (lowest level of household income is ranked highest)
- If two of more of the applications received on the same day have the same level of household income, the households including a person with a disability or an elderly person will be ranked above the households not including a person with a disability or an elderly person. (household with a disabled or elderly person is ranked highest)

AFFORDABILITY PERIOD

The Affordability Period is based on the “direct subsidy” (down payment assistance) put into the home.

| NAHTF Investment per Unit | Length of Affordability |
|---------------------------|-------------------------|
| <\$15,000 | 10 years |
| \$15,000-\$40,000 | 15 years |
| >\$40,000 | 20 years |

DISABLED HOUSING

- If a person with a disability applies and is approved for funds, they will be referred to the Assistive Technology Partnership (402-471-0734) and other organizations for consulting and possible grants in building or rehabilitating a disabled accessible house.
- SWNCBC will include accessible rehabilitation in projects as needed and funding allows.

WAITING LIST

A waiting list will be continually maintained for those requesting purchase/rehab/resale and down payment assistance when no funds are available.

- People will be taken off the waiting list and projects begun by their rank:
 - first applications received will be the first served.
 - if two or more applications were received on the same day, the one with the lowest level of household income will be the first served.

- if two or more applications were received on the same day and have the same level of household income, the household including a person with a disability or an elderly person will be the first served.

REFERRALS / LEVERAGE

In order to assist SWNCBC customers in their search for affordable housing, referrals are made to various partners who can leverage funds:

- USDA Rural Development Direct or Guaranteed Loans as a source of below market rate loans;
- Assistive Technology Partnership and Nebraska Housing Developers Association as sources of rehabilitation and/or down payment assistance for households with a disability;
- Federal Home Loan Bank of Topeka as a source of down payment/closing cost funds;
- Lenders who offer NIFA super targeted loans as a source of below market rate loans
- Homebuyers, friends and relatives as a source of sweat equity.

CONFLICT OF INTEREST

- 1) No official, employee or agent of SWNCBC, who exercises policy and/or performs decision-making functions or responsibilities in connection with the planning and/or implementation of the programs shall directly or indirectly benefit from this program. This prohibition shall continue for one year after an individual's relationship with the program ends. Any other employee, officer, or board member may be eligible, but will be treated without preference in the determination of the application accepted for funding. Enclosed with such an application shall be a statement of disclosure, which outlines any interest the applicant may have in the operation of the program.
- 2) A waiver process shall be available to allow for the previously identified ineligible persons to be eligible for participation in the programs. The waiver process will consist of request for approval by the following entities in order: board of directors of SWNCBC. Each person requesting a waiver must describe their need for participation in the program and, if approved, agree to disassociate themselves from any decision-making that directly affects them.

CONSTRUCTION STANDARDS

All homes and structures sold, constructed or transferred under this program shall be subject to the current building and zoning standards and ordinances of the city and county in which they are sold, constructed or transferred and any construction standards or codes adopted hereafter and shall meet or exceed the NDED Rehabilitation Standards. It shall be the intent of all concerned to build or rehabilitate a home that incorporates current building standards and methods of energy efficiency.

APPLICATION PROCESS

- 1 Prospective applicant receives Program Guidelines from SWNCBC.
2. Prospective applicant
 - becomes pre-qualified with a mortgage lender,
 - completes an application form, which is verified for income and first-time homebuyer eligibility,
 - finds a house which meets lender pre-qualifications,

- completes Home Buyer Education Class.
3. SWNCBC
 - reviews the application and financial information,
 - inspects the house and defines the scope of the project,
 - submits final scope of project to the SWNCBC Board of Directors for approval,
 - sends written notification to the applicant of selection/non-selection for the program.
 - The applicant may be denied assistance based on good and reasonable cause including, but not limited to the following: A. Credit worthiness, B. Employment status, C. Inadequate income, D. Other financial concerns.
 4. Lender
 - qualifies the applicant pursuant to the lender's standard lending and underwriting criteria, taking into consideration the assistance available from SWNCBC.
 - notifies the applicant and SWNCBC of its favorable or unfavorable determination upon consideration of the application. The lender shall provide SWNCBC with a copy of the lender's appraisal (applicants will be required to sign a release authorizing the lender to release appraisal information to SWNCBC).
 5. Applicant signs a Purchase Agreement with SWNCBC, committing to the purchase of the house upon rehabilitation.
 6. SWNCBC acquires and rehabilitates the house.
 7. Following rehabilitation the property shall be sold to the applicant.
 - At the time of closing, title shall be conveyed by delivery of approved deed, and executed mortgages and notes shall be available for recording. The homebuyer will be required to sign a promissory note as acknowledgment and verification of the loan moneys being dispersed.
 - Any assistance shall be accompanied by a Promissory Note and Mortgage. The terms and duration of the assistance shall be outlined in the documents as well as the ten year primary residence requirement, the requirement to pay the real estate taxes and to procure adequate insurance, the requirement to maintain the property up to code for a period of two years from the date of purchase, and that failure to comply with any of the foregoing agreements, shall cause the whole sum of money secured to become due and collectible at once at the option of the mortgagee.
 - The down-payment assistance shall cause SWNCBC to file a record of real estate mortgage evidencing a lien. Such mortgage shall name SWNCBC as having all rights to the funds that are recaptured per this administrative plan and which are repaid in satisfaction of such mortgage.
 - Mortgages and/or loan documents required to be recorded shall be filed for recording.

CONTRACTOR SELECTION AND CONSTRUCTION MANAGEMENT

- During the rehabilitation period, SWNCBC is responsible and accountable for the rehabilitation process and management, including
 - cross checking with the Nebraska Debarred Contractor List
 - reasonableness, quality and cost of the rehabilitation work
 - assuring timely contractor payments
 - project inspections
 - contractors must be appropriately trained and provide documentation demonstrating such
- Contractor selection is done by SWNCBC and/or the owner(s). Selection is based on availability,

capacity, reputation, price, timeliness, willingness, and reasonableness. All contractors and their employees must complete a Lead Safe Work Practices (LSWP) course and provide a notice of completion to SWNCBC office prior to awarding any job. The only exception to this requirement is if the employer is a Lead Abatement Supervisor. Contractor payments will be made in a timely manner following approval of work, receipt of invoice for payment signed off by homeowner and required federal ID number, certificate of insurance and license number (if required).

- SWNCBC will keep \$300 back from contractors until the project achieves LBP clearance.
- SWNCBC will pay for the first LBP Clearance, if the home does not pass clearance it will be the contractor's responsibility to pay for the subsequent clearance test(s) until the home reaches clearance.

DEVELOPER/CONTRACTOR DISPUTES

Construction related developer/contractor disputes or deficiencies and/or any disagreements between the homebuyer and seller or developer related to the construction of the home shall be resolved prior to loan closing in a manner acceptable to both parties. Informal resolution of disagreements is recommended. Acceptance of the home and delivery of the deed at loan closing shall constitute the homebuyer's waiver of any rights concerning known defects or existing disputes or disagreements between the homebuyer and seller. The foregoing shall not limit any warranty - express or implied - as may otherwise exist as a matter of law.

REHABILITATION PROCESS

- During the initial inspection of a house, a list of rehab requirements is used to assure compliance with NDED Rehabilitation Standards, HUD lead paint hazard control requirements and Rural Development rehabilitation requirements.
- SWNCBC staff and the buyers fill out the Cost Estimate/Cost Reasonable worksheet to ascertain the final purchase price of the house, subject to appraisal.
- SWNCBC staff and the buyers work closely during the actual rehabilitation to ensure quality of work and reasonable costs.
- SWNCBC staff and the appraiser perform final inspection

LEAD BASED PAINT PROCEDURES

SWNCBC will determine LBP issues for homes participating in the OOR program on a case-by-case basis. If rehabilitation is under \$5,000, SWNCBC will achieve clearance. SWNCBC may assume lead in homes, it will be determined at the visual assessment. For rehabilitation over \$5,000, SWNCBC will have an assessment, obtain an inspection and achieve clearance. These regulations address those properties built prior to 1978. SWNCBC prohibits the use of Lead Based Paint in the home or on the exterior of the home. SWNCBC will comply with HUD's lead-based paint regulation requirements

REQUIRED FIRST TIME HOMEBUYER CLASS

- SWNCBC offers an eight-hour course of homeownership education which meets REACH standards.

PROPERTY MAINTENANCE

- All properties purchased with Nebraska Affordable Housing Program funding shall be maintained in compliance with local ordinances.

REPORTING PROCEDURES, RECORD KEEPING AND FOLLOW-UP

- Files and records will be kept on all applications and clients. These records will be under the custody and control of SWNCBC. Since these files contain confidential information which is not public information, public access to these files is prohibited. The privacy of the applicants will be protected by restricting access to these files only to persons acting pursuant to the program and this administrative plan under the auspices of SWNCBC.
- These files will be available for review and audit by DED and will be made available to parties responsible for compliance to the extent necessary to verify activities and performance.

AFFORDABLE HOUSING PROGRAM CLOSEOUT

- The program shall be closed out when all funds to be closed out have been drawn down and expended for completed project costs or funds not drawn down and expended have been deobligated by DED.
- Matching requirements have been met.
- Appropriate project completion reports have been filed.
- An audit has been performed.

PROGRAM INCOME RE-USE PLAN

- The entire amount of assistance due is payable 30 days after the pay-off date of the original first place loan, as stated on the buyer's Note and Mortgage. If the property is sold or the owner defaults before that date, the entire amount of assistance due is payable immediately.
- If the property is sold during the Affordability Period, the entire amount of assistance as stated on the buyer's Note and Mortgage, is payable immediately. If the net sale price received less the primary loan is not sufficient to repay the SWNCBC loan, the borrower will make repayment on the remaining availability of net proceeds.
- If the property is sold during the Affordability Period, the recapture funds will be collected and used by SWNCBC in accordance with Nebraska Dept of Economic Development's recapture requirements.
- If the property is sold after the Affordability Period, the program income funds or CHDO proceeds will be collected and used for further purchase/rehab/resale projects in the five county service area. Four percent of the selling price of the house will go into SWNCBC Operating for General Administration, 10% of the selling price of the house will be used for project soft costs including Homebuyer Education, and \$5000 will be taken as a developer fee.

MARKETING STRATEGY

SWNCBC will develop marketing tools such as brochures, fliers, and applications for distribution in the five county service area. Area media will be contacted and solicited for support via news stories, feature articles, community service announcements, etc. Local housing authorities and community service agencies will be contacted as a source for families with high potential as first-time homebuyers.

TRUTH-IN-LENDING ACT

The federal government regulates the lending practices of mortgage lenders through the Truth-in-Lending Act, the Equal Opportunity Act, the Real Estate Settlement Procedures Act, and otherwise. All mortgage lenders shall be solely responsible for compliance with all applicable regulations affecting them, as

lenders, and as applicable to this down-payment assistance program.

APPLICABLE LAWS AND REGULATIONS

The following laws and regulations shall be enforced in the implementation of this Affordable Housing Program:

- Lead-Based Paint Poisoning Prevention Act (42 U.S.C 4831 et. seq.)
- HUD's Implementing Regulations (at 24 CFR Part 570)
- Title VIII of the Civil Rights Act of 1968 and any related rules and regulations
- Title VI of the Civil Rights Act of 1964, 42 U.S.C. 2000d Et. seq.
- HUD regulations issued thereunder, 24 CFR, subtitle A, Part 1
- HUD requirements pursuant to these regulations; and Executive order 11063, to the end that, in accordance with that Act, the regulations and requirements of HUD and Executive order 11063, no persons in the United States, shall on the ground of race, color, creed, religion or national origin, be excluded from participation in, or be denied the benefits of, the Section 8 Existing Housing Program or be otherwise subjected to discrimination. This provision is included pursuant to the regulations of HUD, 24 CFR, Subtitle A, Part 1, issued under Title VI of the Civil Rights Act Of 1964, and the HUD requirements pursuant to the regulations.
- Section 109 of the Housing and Community Development Act of 1974, which provides that no person in the United States shall on the grounds of race, color, national origin, or sex be excluded from participation in, be denied benefits of, or be subject to discrimination under any program or activity funded in whole or in part with funds made available under this title.
- Age Discrimination Act Of 1975, as amended (42 U.S.C. 6101, et.seq.) which provides that no person will be excluded from participation, denied program benefits or subject to discrimination on the basis of age under any program or activity receiving federal funding assistance.
- Section 504 of the Rehabilitation Act Of 1973, as amended (29 U.S.C. 794) which provide that no otherwise qualified individual will, solely by reason of his or her handicap, be excluded from participation (including employment), denied program benefits or subject to discrimination under any program or activity receiving federal assistance funds.
- Anti-Displacement Act
- Fair Housing Act
- Nebraska Energy Office requirements
- 2001 International Model Energy Code
- No officer, employee or agent of MEDC participating in the selection, the award, or the administration of this grant obtained a personal or financial interest or benefit from the activity or had an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter. This stipulation must be included in all subcontracts to this contract. Upon written request, exceptions may be granted upon a case by case basis when it is determined that such an exception will serve to further the purposes of the Act and the effective and efficient administration of the recipient's program or project. These exceptions are granted by DED.

DEFINITIONS

- AFFORDABLE HOUSING PROGRAM: a program of the Community and Rural Development

Division of the Nebraska Department of Economic Development. It combines use of CDBG funds, HOME funds and the Nebraska Affordable Housing Trust Fund for Rehabilitation Programs and the Homeownership Opportunity Program.

- FIRST-TIME HOMEBUYER (NIFA definition): applicants who have NOT owned a home during the three year period immediately prior to the purchase of a home under this program as evidenced by the last three years' federal income tax returns, except that:
 - a) Loss of a home due to legal action (divorce),
 - b) Loss of a home due to natural disaster,
 - c) Loss of a home due to required job relocation.

GUIDELINE AMENDMENTS

These Program Guidelines may be amended as appropriate by a majority vote of the SWNCBC Board of Directors with notice to and approval from the appropriate Nebraska Department of Economic Development Program Representative.

CONTACT PERSON

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These PRR Program Guidelines have been approved by the SWNCBC Board of Directors on December 21, 2007. The guidelines have been amended May 14, 2009.

Lori A. Zeilinger, President