

**PRINCE WILLIAM COUNTY
OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT
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HOMEOWNERSHIP ASSISTANCE PROGRAM (HAP)

Local Policies and Procedures

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I. INTRODUCTION

Prince William County through its Office of Housing and Community Development (OHCD) has found that there are many otherwise eligible first time homebuyers who desire to own a home, but because of limited income are unable to meet the initial costs associated with purchasing a home. For example, lower-income families may have a stable income from a primary wage earner, but do not have the resources to pay the required downpayment and/or closing costs for buying a house.

There is also an information gap regarding what it takes to buy a house, and counseling to educate potential homebuyers is very limited.

II. PROGRAM GOAL/PURPOSE

The goal of the Prince William County Homeownership Assistance Program (HAP) is to achieve the following in order to increase homeownership opportunities for very low-income, low-income and moderate-income county residents with incomes at or below 80 % of area median income:

1. Provide training, information and technical assistance to potential very low, low- or moderate-income home buyers.
2. Assemble and coordinate available low cost financing needed for home purchase.
3. Provide loan and or grants to eligible households in the form of funds for downpayment, gap financing, interest rate buy-downs or reductions, or other types of monetary assistance which will aid in the actual purchase of a home. All County financial assistance shall be made available to eligible households on a non discriminatory basis, and is subject to the availability of funds.

III. PROGRAM IMPLEMENTATION

OHCD launched the Homeownership Assistance Program (HAP) in July, 1994. The Program is implemented using a combination of federally mandated regulations, local guidelines, policies and procedures.

OHCD developed local guidelines and procedures for the administration, marketing (outreach) operation and evaluation of the program. These guidelines and procedures shall be updated as necessary to respond to program and/or market needs. Marketing efforts shall include use of print, internet and broadcast media. Necessary forms and documents shall be developed in cooperation with lending institutions and others as appropriate.

OHCD contracts with Prince William County's Virginia Cooperative Extension Office to deliver pre-purchase counseling activities to assist families in preparation for homeownership. OHCD requires every adult in the household to complete the HAP required homeownership education and financial counseling, and obtain a Certificate of Completion. The HAP Program will honor Certificates of Completion for two years from date of issuance.

IV. MEMORANDUM OF AGREEMENT (MOA)

OHCD desires to partner with local lending institutions who will provide first trust financing for households who purchase with HAP assistance. Strong relationships with local lenders committed to work the HAP Program are key to the Program's success.

OHCD has prepared a Memorandum of Agreement (MOA) for lending institutions and loan officers who wish to establish a formal relationship with the HAP Program. The MOA delineates objectives for the program and the associated responsibilities between OHCD and the lending institution. Lenders who execute a MOA, and abide by its terms will be published on the HAP Participating Lender List. The Participating Lender List will be distributed to HAP applicants as a resource for those wishing to utilize a loan officer familiar with the HAP Program. OHCD will encourage applicants to contact a loan officer from the Participating Lender List, but cannot limit the applicant's choice of lender to those on the Lender List.

Loan officers, or lending institutions that do not comply with HAP Program guidelines will be barred from future participation with the HAP Program, active MOA's with non compliant lenders will be terminated and result in removal from the Participating Lender list.

Participating Lender Criteria

Lending Institutions must meet Virginia Housing Development Authority (VHDA) lender requirements, and be actively on VHDA's Approved Lender List.

Specific loan officers must be designated who commit to be knowledgeable of the HAP Program, and abide by the Program's guidelines and procedures.

Upon request of a HAP applicant, provide, at no cost, an in file credit report to the HAP applicant, or OHCD for purposes of determining the applicant's readiness for homeownership.

Before OHCD will execute an MOA, the lending institution's loan officers, processors, and underwriters must demonstrate their ability to work effectively with the HAP Program by successfully closing at least two HAP loans.

After meeting these requirements the lending institution may request to enter into an MOA with OHCD. OHCD will require the lending institution to designate a specific loan officer(s) as the HAP applicant's contact point. Resignation of a designated loan officer without the appointment of a replacement will be cause for OHCD to terminate the MOA.

An authorized representative from the lending institution will be required to sign the MOA and provide information necessary for OHCD to process the request.

V. DEFINITIONS

ADDI means the American Dream Downpayment Initiative. The American Dream Downpayment Initiative (ADDI) was signed into law on December 16, 2003 under the American Dream Downpayment Act (Public Law 108-186). ADDI aims to increase the homeownership rate, especially among lower income and minority households with targeted outreach to residents and tenants of manufactured housing and families assisted with rental assistance by public housing agencies. ADDI funds are very limited and dependent upon availability of special allocation funding.

Prince William County targets ADDI funds for Housing Choice Voucher holders and residents of manufactured housing units with income less than 80% AMI, or other lower income households with income less than 60% AMI. In addition to HAP funding for downpayment and closing costs, these targeted households may receive up to an additional 6% of the sales price with a maximum of \$10,000, whichever is less.

Applicant means a person, individual, family or household (whether related by blood, marriage, adoption, or unrelated) that is applying for, or has applied for housing assistance through the Prince William County Homeownership Assistance Program. For purposes of determining eligibility for the Prince William County Homeownership Assistance Program (HAP) the income, assets, and circumstances of **all** individuals, persons, families or households residing together (whether related by blood, marriage, adoption, or unrelated), and/or intending to occupy the housing unit to be purchased through the HAP Program will be considered, and shall meet all program requirements.

Application means the form developed by OHCD to collect information from a person, individual, family or household that is applying for housing assistance through the Homeownership Assistance Program for purposes of determining eligibility for the HAP program.

Affordability Period means the length of time the housing purchased with HAP assistance must remain the principal residence of the family. Prince William County has adopted a thirty (30) year period of affordability which is enforced by a deed restriction.

Asset means a cash or non cash item that can be converted to cash. Where the person, individual, family or household has net assets in excess of \$5,000, the greater of the actual income derived from all net assets, or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD, will be included in the annual income calculation. OHCD will use the Technical Guide for Determining Income and Allowances for the HOME Program in implementing asset determinations for the Homeownership Assistance Program.

Borrower means person, individual, family or household that will receive housing assistance through the Prince William County Homeownership Assistance Program.

Family has the same meaning given that term in 24 CFR 5.403. Family includes but is not limited to:

- (1) A family with or without children (the temporary absence of a child from the home due to placement in foster care shall not be considered in determining family composition and family size);
- (2) An elderly family;
- (3) A near-elderly family;
- (4) A disabled family;
- (5) A displaced family;
- (6) The remaining member of a tenant family; and
- (7) A single person who is not an elderly or displaced person, or a person with disabilities, or the remaining member of a tenant family.

First Time Homebuyer means persons, individuals, families or households cannot have purchased or had ownership interest (own, purchase, co-sign on a loan, inherit, etc. regardless of whether they lived in the property) in a home or other residential property within the last three years anywhere in the United States, foreign land or country.

Homeownership means ownership in fee simple title or a 99 year leasehold interest in a one- to four-unit dwelling or in a condominium unit, or equivalent form of ownership approved by HUD. The ownership interest may be subject only to the restrictions on resale required under [92.254\(a\)](#); mortgages, deeds of trust, or other liens or instruments securing debt on the property as approved by the participating jurisdiction; or any other restrictions or encumbrances that do not impair the good and marketable nature of title to the ownership interest. Ownership or membership in a cooperative or mutual housing project will be permissible if such ownership or membership in a cooperative constitutes homeownership under applicable State law.

Homeownership Education means financial counseling, pre and post purchase education required by the HAP program. All adult household members, whether or not on the first trust loan must complete the Homeownership Education requirements of the HAP Program, and have a valid Certificate of Completion not more than two years old.

HOME Program Final Rule means HUD's regulations for the HOME Program located in 24 CFR part 92 (consisting of sections 92.1 through 92.552). The HOME Program Final Rule will be used to implement the Prince William County Homeownership Assistance Program (HAP).

Household means one or more persons occupying a housing unit, or intending to occupy the housing unit to be purchased through the HAP Program, (whether related by blood, marriage, adoption, or unrelated).

Income: When determining whether an individual, family, or household is income eligible, Prince William County uses definition of "annual income" as defined at 24 CFR 5.609. This annual income definition is used by a variety of Federal programs including Section 8, public housing, and the Low Income Housing Tax Credit Program.

OHCD will use the [Technical Guide for Determining Income and Allowances for the HOME Program](#) in making income/asset eligibility determinations for the Homeownership Assistance Program.

This definition of annual income is the gross amount of income of all household members that is anticipated to be received during the coming twelve month period. *Annual income* means all amounts, monetary or not, which:

- (1) Go to, or on behalf of, the family head or spouse (even if temporarily absent) or to any other individual, family, or household member; or
- (2) Are anticipated to be received from a source outside the family during the 12-month period following admission or annual reexamination effective date; and
- (3) Which are not specifically excluded in paragraph (c) of 24 CFR Part 5 section 5.609.
- (4) Annual income also means amounts derived (during the 12-month period) from assets to which any individual, member of the family or household has access.

The annual income of the individual, family, or household is calculated by projecting the prevailing rate of income of the individual, family or household at the time OHCD determines that the family is income eligible. Annual income shall include income from all individual, family, or household members, (whether related by blood, marriage, adoption, or unrelated).

Income from self employment must be documented by complete Federal and State tax returns for the past three years, including all schedules filed, and a current year profit/loss statement. Discrepancies between declared income and income reported for tax purposes will be grounds for denial of the application for HAP assistance.

The annual income of the individual, family, or household will be re-calculated if changes have occurred, or are reasonably expected to occur, or if more than six months has elapsed since the family was qualified as income eligible.

Local Guidelines means the local policies and procedures developed by OHCD and used to implement the Prince William County Homeownership Assistance Program (HAP) within the parameters outlined by the HOME Program Final Rule.

Low-income families means families whose annual incomes do not exceed 80 percent of the median income for the area, as determined by HUD with adjustments for smaller and larger families, except that HUD may establish income ceilings higher or lower than 80 percent of the median for the area on the basis of HUD findings that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes.

OHCD means Prince William County Office of Housing and Community Development.

Technical Guide for Determining Income and Allowances for the HOME Program means the publication issued by the U.S. Department of Housing and Urban Development, Community Planning and Development, Office of Affordable Housing which is used as companion guide to the HOME regulations at 24 CFR Part 92 and includes guidance for determining applicant eligibility.

Very low-income families means low-income families whose annual incomes do not exceed 50 percent of the median family income for the area, as determined by HUD with adjustments for smaller and larger families, except that HUD may establish income ceilings higher or lower than 50 percent of the median for the area on the basis of HUD findings that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes.

Recapture means the provisions in place to ensure that the HAP assistance provided to the homebuyer will be recouped if the housing does not continue to be the principal residence of the family for the thirty (30) year affordability period. The recapture provision is enforced through a deed of trust which is filed in the County's land records. Prince William County recaptures the entire amount of HAP assistance if the housing is no longer the principal residence of the family, or the family refinances the first loan to remove equity from the property.

VI. ELIGIBILITY

For purposes of determining eligibility for the Prince William County Homeownership Assistance Program (HAP) the income, assets, and circumstances of all individuals, persons, families or households currently residing together (whether related by blood, marriage, adoption, or unrelated) applying for assistance under the Prince William County Homeownership Assistance Program, and/or intending to occupy the housing unit to be purchased through the HAP Program must be considered, and shall meet the following criteria:

Previously Denied Applicants: Applicants denied eligibility based on household income shall not be eligible to reapply for one year from the date of denial.

Residency: Individuals, persons, families or households must currently reside or work in Prince William County for a minimum of six months. Acceptable documentation of residency/work criteria would be fully executed current lease, valid driver's license, wage statements or legal documents reflecting current residency.

Returning military personnel who initially met the above residency requirement prior to call for active duty must provide valid military documents which establish Prince William County as their Home of Residence at the time of call for active duty.

Citizenship: All Individuals, persons, families and/or household members must be U.S. Citizens, U.S. non-citizens nationals for example as a result of birth in a United States territory or possession, or qualified alien legally admitted to the United States with valid U.S. Citizenship and Immigration Services (USCIS) documents.

First time homebuyer status required: Individuals, persons, families or households cannot have purchased or had ownership interest (own, purchase, co-sign on a loan, inherit, etc. regardless of

whether they lived there) in a home or other residential property within the last three years anywhere in the United States, foreign land or countries.

Previous recipients of first time homebuyer funds: Previous recipients (individuals, persons, families or households) of HAP or other first time homebuyer program funds are not eligible, even if they have not owned a home within the last three years.

Housing Choice Voucher Homeownership Program Participants: HAP assistance for persons using the Housing Choice Voucher Homeownership Program option to purchase will be limited to funding available from the ADDI Program. Current limits are 6% of the sales price with a maximum of \$10,000, whichever is less.

Bankruptcy: Must be minimum of two years since discharge of a bankruptcy.

Foreclosures: No previous foreclosure.

Judgments and Collections: All judgments and collections must be paid in full.

Co-signers: Must qualify on merit, no co-signers permitted.

Late Payments: Minimum 6 months no late payments (extenuating circumstances considered).

Homeownership Education: All adult household members, whether or not on the first trust loan, must complete the Homeownership Education requirements of the HAP Program which consists of financial counseling, pre and post purchase education and have a valid Certificate of Completion.

Income Maximum: For HAP program income eligibility, individuals, persons, families or households must have incomes and earnings from assets within 80% of the Area Median Income maximum allowed under the federal Home Investment Partnership Program, as amended from time to time. For ADDI Program income eligibility individuals, persons, families or households must have incomes and earnings from assets within 60% of the Area Median Income maximum allowed under the federal Home Investment Partnership Program, as amended from time to time. (See Homeownership Assistance Program Guideline brochure for current maximum income levels.) Gross household income is projected forward for one year from date of settlement. Households must meet these income guidelines up to, and projecting forward for one year from the day of settlement. Actual or anticipated increases in income must be reported within 10 days of occurrence or notification of the increase.

Assets: Income and assets of individuals, persons, families or households must be within the maximum allowed under the federal Home Investment Partnerships Program as amended from time to time. Interest from assets is added to income in determining eligibility. Interest on assets over \$5,000 is imputed at the HUD determined passbook rate. For assets over \$5,000, the greater of the actual interest earned, or interest imputed at the passbook rate is included as income.

Ratios: Individuals, persons, families or households are required to obtain the maximum first trust loan for which they can qualify according to FHA, VA, VHDA or conventional standards with income/debt ratios 29/41. Expanded qualifying ratios of 33/45 may be considered on case by case basis with demonstrated ability to pay or save at higher level for at least six months.

First Trust loan requirements: First trust financing must be fixed rate, step, or buydown (no ARMs, balloons, or interest only loans allowed) at an interest rate within 1% of current market rate. Interest rates higher than 1% of current market rates will require acceptable justification, and must be reviewed and approved by OHCD.

Applicants will be encouraged to seek pre qualification for VHDA loans, as OHCD applies for, and may have access to lower interest rate loans through VHDA's special first time homebuyer programs.

Qualification as affordable housing: Initial purchase price can not exceed 95% of the median purchase price for the type of single family housing (1-4 family residence) for the jurisdiction as determined by HUD Single Family Mortgage Limits under Section 203(b) of the National Housing Act, and has an estimated appraised value after acquisition and rehabilitation that does not exceed the 95 % limit as described above.

Geographic targeting: OHCD acknowledges the severe need for homeownership assistance throughout the County. OHCD wishes to make clear the County's intent to implement this program county wide and will make every effort to do so during the program year contingent upon the availability of funds.

Non-discrimination: OHCD is committed to select and assist persons under this program without regard to race, color, national origin, family status, or disability status.

Intentional Misrepresentation: Any intentional misrepresentation of information provided on the HAP application, or submitted in support of the application is a Federal crime punishable by fine or imprisonment, or both under the provisions of Title 18, U.S. Code and will result in denial of assistance through the Homeownership Assistance Program, or repayment of assistance received through the Program, and future ineligibility for the Homeownership Assistance Program.

VII. VERIFICATIONS REQUIRED FOR APPLICATIONS

- Birth Certificates or USCIS Documents to verify legal residency for each person currently residing in the household or others anticipated to occupy the housing unit that may be purchased through the program
- Social Security Cards for all household members
- Driver's license, or other legally acceptable picture ID.
- Copy of current rental lease agreement
- Copy of Deed of Trust for each property owned and real estate tax statement
- Copies of 2 months recent consecutive pay stubs for each job, and each person employed. If self employed, complete Federal and State tax returns for the past 3 years (Tax forms and all schedules filed), and current year profit/loss statement
- Current Verification of other household income (child support, alimony, benefits, Social Security, disability, Workman's Comp, Veterans, Military, retirement, unemployment, etc.)
- Recent Bank Statements for checking (prior 6 months statements), savings, mutual funds, retirement accounts, stocks, bonds, etc.
- Copy of Federal and State Tax returns and W-2s for the previous three tax years for each adult.
- Copies of recent Credit Report for each adult listed on the application form
- Copy of Bankruptcy Discharge Documents
- Copy of Judgments and letters of explanation
- Pre-Qualification Information Sheet From First Trust Lender completed by loan officer
- Good Faith Estimate completed by loan officer

VIII. PROPERTY ELIGIBILITY

1. All properties purchased under this program shall be located within Prince William County.
2. All residential units purchased under this program shall be comprised of no more than four dwelling units.
3. All properties purchased under this program shall be owner occupied throughout the 30 year HAP loan term. Purchasers must maintain the property as their principal residence, and cannot rent out the property. Should the purchaser move from the property, the HAP Loan is due and payable immediately.

4. All properties purchased under this program must meet or exceed federal Housing Quality Standards (HQS) at the time of initial occupancy. In the case of purchase and rehabilitation, the property must meet HQS within six months. OHCD staff will conduct a physical inspection of the property and notify the purchaser and seller deficiencies which must be corrected.

5. Purchaser is required to have a professional home inspection completed. A copy of the professional home inspection must be provided to OHCD. Deficiencies identified from the professional home inspection will be included in the notification to the purchaser and seller of deficiencies and must be repaired prior to settlement and release of HAP funds.
6. Property must be existing, or under construction with at least the foundation in place.
7. The property must be vacant or owner occupied at the time the sales contract is written. Property can not be occupied by a tenant due to the potential displacement of a renter, and financial repercussions which will occur in connection with the Uniform Relocation Assistance and Real Property Acquisition Act of 1970.

IX. LOAN TERMS

1. **Amount of assistance provided:**

HAP Program: Effective August 17, 2004, and continuing for an indefinite period of time, the maximum HAP Loan will be up to \$50,000, plus up to an additional 6% of the sales price for actual program allowable closing costs. Housing Choice Voucher holders using the Voucher Homeownership option will not be eligible for assistance from HAP Program funds, and will be limited to available ADDI Program funding described below.

ADDI Program: Households who otherwise meet the HAP program guidelines who are Housing Choice Voucher participants, or residents of manufactured housing units, and other persons, individuals, family or household with household income below 60% of Area Median Income may be eligible for additional funds through the American Dream Downpayment Initiative (ADDI) which would provide up to 6% of the sales price with a maximum of \$10,000.

2. **Household Contribution:** The household is required to contribute \$1,000 from personal funds to the settlement transaction. Items such as earnest money deposit, appraisal, credit report, home inspection, lead inspection, pre paid hazard insurance will count toward the required contribution.
3. **Disallowed Costs:** HAP/ADDI funding shall not be used for escalation clauses, purchase offers exceeding the MLS listed sales price, processing fees charged to purchaser by the Selling Agency, or to fund the difference between a low appraisal and the contract sales price, nor shall the payment of disallowed costs from the purchaser's own funds count toward the \$1,000 household contribution required by the program.
4. **Terms:** the maximum term of the assistance provided through the Homeownership Assistance Program is 30 years.
5. **Type of Assistance:** all assistance under this program shall be in the form of deferred loans with a 30 year deferral period.
6. **Repayment Conditions:** The total amount of HAP assistance provided, will be secured through a second deed of trust on the property. The second trust will not be due and payable until the property ceases to be the principal residence, or is sold, or the borrower fails or neglects to pay the taxes, assessments, or premiums for hazard, flood (if required) or mortgage insurance, or terms of the deed of trust are violated, or 30 years lapse, whichever occurs first.

In the event the property is inherited by a relative who intends to maintain the property as their principal residence and has household income at or below 80% of area median income, as defined by the income guidelines of the program at the time of the inheritance, the second trust can, at the option of the note holder, continue; otherwise, it

becomes due and payable. The heir(s) must provide valid documentation of income, must be deemed eligible by OHCD, and must continue to meet all other obligations of the deed of trust.

7. **Deed Restrictions:** Conditions for repayment of the total HAP assistance are provided as specified in paragraph 6 above, and will be enforced through a second deed of trust. The HAP loan will not be subordinated at anytime during the deferral period to a Home Equity Loan, other loan, or refinances of the first loan that result in removal of equity from the property for any reason (i.e. cash, loan consolidation, debt repayment, home improvements, education expenses, etc.)
8. **FHA Requirements:** The HAP Program has been approved by FHA for combining HAP Loan funds with an FHA loan. FHA requires that the total of first and second trust not exceed the Acquisition Cost (Sales Price + Purchaser's Allowable Closing Cost, discount points and pre-paid expenses). Loan fees which are not allowed per FHA guidelines will require a seller, or purchaser contribution to make up the difference.
9. **Rent Back:** The seller is not allowed to rent back from purchaser. A Certificate of Buyer Occupancy at Settlement Form must be signed and notarized at closing by both the purchaser and seller.
10. **Cash Back at Settlement:** The purchaser is not allowed to receive any cash back at settlement. All overages must be refunded to the Prince William County Homeownership Assistance Program by the settlement agent.
11. **Insurance Requirements:** The purchaser is required to obtain hazard insurance coverage in sufficient amount to replace the home in the event of a loss. Prince William County Board of County Supervisors must be listed as second mortgagee at the time of settlement and through the 30 year HAP loan term.
12. **Title Insurance Requirements:** The purchaser is required to obtain Title Insurance in an amount equal to the HAP loan listing the Prince William County Board of County Supervisors as second mortgagee.

X. SALES CONTRACT CONTINGENCIES and REQUIRED HAP FORMS

Sales Contracts using HAP Loan funds must include a contingency clause listing these three items:

- "This contract is contingent on the purchaser receiving Prince William County HAP funds for downpayment and closing costs (see Loan Terms), and property passing a HUD HQS Inspection."
- For properties built before January 1978, "This contract is contingent upon seller correcting defective paint surfaces in accordance with Federal Lead-Based Paint Requirements using a Certified Lead-Trained Renovator, providing satisfactory clearance test results conducted by an independent Certified Lead-Based Paint Inspector, and providing verification of contractor qualifications prior to requisition of the HAP check, based on a visual inspection by OHCD."
- "This contract is contingent on a Home Inspection performed by a certified Home Inspector." (This is a requirement of the HAP Program. The fee for this cost will be considered as part of the purchaser's minimum \$1,000 contribution.)

The HAP Program requires the following forms to be signed by both the purchaser and seller at the time the Sales Contract is ratified:

Certification of Voluntary Sale Form: This form certifies that the seller is voluntarily selling the program to the HAP participant who will be using a federally funded HAP Loan for downpayment and closing costs. The parties acknowledge that the right of eminent domain is not being exercised, and assistance from the Uniform Relocation Act will not be provided.

Lead Paint Disclosure Form: The standard contract Disclosure of Information on Lead-Based Paint and Lead-Based Paint Hazards form must be completed if the property was built before January 1978.

XI. AGENCY/LENDER/PROCESSING, DISBURSING AND SERVICING (PDS) ROLES

Prince William County's Homeownership assistance funds are used in tandem with mortgage money supplied from various local participating lenders, including Virginia Housing Development Authority (VHDA). The mortgages are processed by a Processing, Disbursement, and Servicing Agency. Presented below are more detailed explanations of the roles of each of these agencies in the purchase of a home through the Homeownership Assistance Program.

1. **Prince William County Office of Housing and Community Development:**

The County's Housing Specialist performs an intake and screening review of HAP applications for HAP Program eligibility criteria. If the applicant meets the qualifications for the HAP Program, the Housing Specialist refers him/her to the Processing, Disbursement, and Servicing (PDS) Agent for loan processing. Only those applicants ultimately approved by the PDS Agent will be eligible to purchase a home and receive assistance from the County. The County sends a commitment of HAP assistance, pending final loan approval, to the PDS Agent to assist in the approval process.

2. **Participating Lenders:**

Local lending institutions with financing mechanisms which will enhance homeownership opportunities among very low-income, low-income, and moderate-income persons (household income less than 80% of area median income) will make loan qualification information available to the Office of Housing and Community Development (OHCD). Lenders wishing to be on OHCD's Participating Lender list must meet criteria established by the HAP Program, and enter into a Memorandum of Understanding (MOA) with OHCD which will formally outline respective program responsibilities.

In order to enter into a MOA, the Lender must be VHDA approved and identify specific loan officers to work with the HAP Program. The loan officers, processors and underwriters must demonstrate an understanding of HAP Program guidelines, process loans according to HAP Program guidelines, and have successfully processed at least two HAP loans.

Lenders and loan officers are not required to sign MOA's, but must use loan products which are acceptable to the HAP Program, and process loans according to HAP Program guidelines.

Loan officers, or lending institutions that do not comply with HAP Program guidelines will be barred from future participation with the HAP Program, active MOA's with non compliant lenders will be terminated and result in removal from the Participating Lender list.

3. **Processing, Disbursement, and Servicing Agent:**

OHCD anticipates that participating lending institutions will serve as PDS Agents for loans originated under this program. The decision to service loans after disbursement shall be the sole responsibility of the lending institution in consultation with the subsequent purchaser of the mortgage.

XII. PROGRAM PROCEDURES

1. **Application Process**

The OHCD will advertise open application periods for the Homeownership Assistance Program through media press releases, the County's website and informational flyers to be distributed to local employers, local organizations which serve the target populations.

During open application periods interested persons contact the OHCD by telephone, letter, email, or in person to request information about the Homeownership Assistance Program. At the time a person requests HAP information, their name and address are recorded. A HAP package will be sent which contains: a brochure explaining the HAP guidelines; a list of the documents which must be provided to support their application; information on how to obtain a credit report, and a HAP Waiting List Application.

Upon return, the HAP Waiting List Application will be stamped with date and time of receipt by the Housing Receptionist. The HAP Waiting List Application will be forwarded to the Housing Specialist for screening according to the income and residency eligibility criteria outlined for the program. If the applicant meets the initial review criteria the application will be placed on a waiting list.

If the applicant does not meet the eligibility criteria, a letter of regret is sent which closes the file. Applicants denied eligibility based on household income shall not be eligible to reapply for one year from the date of denial.

2. **Homeownership Education Requirement**

While on the waiting list, all adult household members, will be required to attend HAP approved Financial Counseling and Homeownership Pre and Post Education Program sponsored by OHCD, and receive a Certificate of Completion. The Homeownership Education Program is designed to fully prepare the applicant for the purchase process and the ongoing responsibilities of homeownership. The Homeownership Education Program will explain the home purchase process, working with a real estate agent, selection of a property, applying for first mortgage financing, loan closing and managing the new financial responsibilities of homeownership.

The homeownership education is delivered by the Prince William County Virginia Cooperative Extension Office. The HAP approved homeownership education requires obtaining a Certificate of Completion for the following:

- Avoiding Financial Trouble Workshop
- Individual Financial Assessment
- Homeownership I and II Pre-Purchase Education Program (VHDA Homeownership Educational Program, a valid VHDA Certificate from another VHDA certified trainer will be accepted with verification of authenticity by PWC Cooperative Extension Office)
- Homeownership Post-Purchase Education Program

Certificates of Completion will be acceptable for a period of two years from the issuance date. If more than two years has elapsed, the educational requirement must be completed again, and a valid Certificate of Completion obtained.

VHDA Homeownership Educational Program Certificates obtained by completing the VHDA Homeownership Training through another VHDA approved Homeownership Trainer will be accepted by the HAP Program for Homeownership I and II Pre-Purchase Education Program. The certificate must not be more than two years old, and will require confirmation with the Trainer who issued the VHDA Certificate. Persons with a valid VHDA Certificate issued by another approved Trainer must complete the other homeownership education components required by the HAP Program, and have a Certificate of Completion issued by the Prince William County Cooperative Extension Office.

3. **OHCD Interview**

Applicants will be contacted for formal interview from the waiting list as funding is available, and upon completion of the program's financial counseling and homeownership education.

At the intake interview with the Housing Specialist, the applicant will complete a Formal HAP Application. The Specialist will review the documents which the applicant must supply to verify all eligibility requirements, including recent credit reports for all adult household members. The Specialist will also collect pertinent information including: family size; income verification; debt load; employment history; current housing information, and the Pre-Qualification Information Sheet from First Trust Lender. All adult household members will also be required to sign releases which gives the OHCD permission to verify credit, household circumstances, financial information and to discuss that information with whomever is necessary for the processing of the application.

Also savings for the earnest money deposit, credit report fee, downpayment and closing costs (minimum \$1,000 from personal funds) will be verified.

4. **Eligibility Determination**

Applicants will be required to provide any missing verifications within ten days. If information is not provided, or the household does not meet the eligibility criteria for the HAP Program, a Denial Notice will be issued.

The Housing Specialist will review the application, Lender Pre-Qualification Form and supporting documentation to determine the applicant meets the minimum requirements for the HAP Program. Applicants denied eligibility based on household income shall not be eligible to reapply for one year from the date of denial.

The Housing Specialist will sign off on the determination, and will organize the file for review and approval by of the Program Manager.

After approval by the Program Manager, the Housing Specialist will issue a Preliminary Award Letter which states purchase price limits, and acceptable first trust loan terms. The Preliminary Award Letter authorizes the applicant to search for properties within the purchase price range and first trust loan terms that are acceptable to the HAP Program and affordable for the household.

The Preliminary Award is contingent upon writing a contract, fulfilling the conditions listed in the Preliminary Award Letter, and settlement occurring within ninety (90) days. An additional thirty (30) day extension may be granted with proof of ratified contract with settlement to occur within thirty (30) final days. If the conditions are not met by this date, this Preliminary Award and the HAP Application will expire and become void. Upon expiration of the Preliminary Award the applicant will be required to submit a new application to the HAP Waiting List, along with all required documentation. The application will be stamped with the date and time received, and the application process will begin again.

The Preliminary Award is not a reservation or commitment of HAP funds. A HAP Loan commitment will be dependent upon funding availability and will be issued on a first come, first served basis upon submission of a ratified sales contract. The adult applicants must sign and return the Preliminary Award Letter to verify acceptance of the terms of the HAP assistance which are outlined in the letter.

5. **Property Search**

The Household can begin their home search with the assistance of a Realtor. When an acceptable property is located, the Realtor and applicant should contact the lender who provided the pre qualification to discuss the applicant's ability to qualify for financing to purchase the property identified within HAP and lender guidelines.

6. **Purchase Contracts, Contingencies and Required Forms**

The Realtor will assist in writing a sales contract. Households not using a Realtor should contact a Real Estate Attorney to prepare and review the purchase contract to ensure that HAP required forms and contingency language are included with the sales contract.

Contracts must be written contingent upon receipt of funds from the Prince William County Homeownership Programs, a satisfactory Housing Quality Inspection conducted by Prince William County Office of Housing staff, and a professional home inspection conducted by an independent inspector. The sales contract should be contingent upon the owner making needed repairs, or arrangements for financing the necessary repairs must be made before a contract can be written by the selling real estate agent.

For properties built before January 1978 OHCD's Housing Quality Inspection will include a visual inspection to identify chipping and peeling paint. Those areas of chipping and peeling paint which are identified must be tested by a Certified Lead-Based Paint Inspector. Therefore, the contract must be contingent upon seller correcting defective paint surfaces in accordance with Federal Lead-Based Paint Requirements using a Certified Lead-Trained Renovator, providing satisfactory clearance test results conducted by an independent Certified Lead-Based Paint Inspector, and providing verification of contractor qualifications prior to requisition of the HAP check, based on a visual inspection by OHCD.

In addition to the Contract, the HAP Program requires the purchaser and seller to sign a Certification of Voluntary Sale Form, and Lead Paint Disclosure Form (if the property was

built before January 1978).

The family will be required to make an earnest money deposit at the time the contract is ratified, unless a Note to be redeemed at settlement is accepted by the seller.

HAP/ADDI funding shall not be used for escalation clauses, purchase offers exceeding the MLS listed sales price, processing fees charged to purchaser by the Selling Agency, or to fund the difference between a low appraisal and the contract sales price, nor shall the payment of these disallowed costs from the purchaser's own funds count toward the \$1,000 household contribution required by the program.

Seller rent backs are not allowed. A Certificate of Buyer Occupancy at Settlement Form must be signed and notarized at closing to certify that the property is not being rented back to the seller.

7. **HAP Loan Commitment**

A copy of the ratified purchase contract, signed Voluntary Sale Form and Lead Paint Disclosure forms must be submitted to OHCD for review and approval. The Lender must complete and submit the Prequalification Form for Purchaser Under Contract, along with a Good Faith Estimate (GFE) stating the first trust loan terms and projected closing costs. The Housing Specialist will review the contract, Prequalification Form and Good Faith Estimate for compliance with HAP Program guidelines.

The Program Manager will review and approve the Contract, Prequalification Form and GFE and issue a HAP Loan Commitment Letter. The commitment letter states the County's commitment to enter into the second trust financing for HAP downpayment and closing cost assistance for the selected property according to specified first loan terms, pending approval of first mortgage financing by the lender. Commitment letters are not transferable between persons or properties.

8. **Housing Quality Inspection (HQS)**

The Housing Specialist will schedule and conduct the federal Housing Quality Inspection which will include a visual inspection for chipping and peeling paint for properties built before January 1978.

The Purchaser must have a professional home inspection completed by an independent inspector. The results of the professional inspection must be submitted to the Housing Specialist for review.

After the HQS inspection, and reviewing the professional home inspection report, the client and Agent will be notified of results. Conditions which do not comply with HQS will require correction and a re-inspection to document deficiencies have been corrected before settlement.

9. **Lender and Settlement Instructions**

The Housing Specialist will FAX the loan officer HAP Lender Instructions, and the settlement agent Initial Settlement Instructions.

10. **First Trust Loan Process**

The purchaser schedules an appointment to meet with the first trust loan officer to begin processing the application for first trust financing.

The Housing Specialist will follow the applicant through the loan process. The loan officer shall advise the Housing Specialist regarding the status of the applicant's loan. The loan officer shall provide the Housing Specialist documentation as may be needed to substantiate the applicant's eligibility for HAP funds.

Upon first trust final loan approval and loan commitment the lender will notify the Housing Specialist, and forward closing instructions to the settlement agent.

11. **Required First Trust Lender Document**

The loan officer must submit all lender documents required by the HAP Program:

- 1). Final Loan Information Form For Settlement
- 2). First Trust Loan Commitment Letter
- 3). FHA test completed (only needed for FHA loans)
- 4). MCAW – Mortgage Credit Analysis Worksheet
- 5). Typed Copy of Loan Application
- 6). Verification of Employment (VOE) for all adult household member
- 7). Initial Verification of Deposit or current bank statement
- 8). Good Faith Estimate (GFE)
- 9). Truth in Lending Statement
- 10). Homeowner Certificate of Insurance showing "Prince William County Board of County Supervisors" as second mortgagee
- 11). Copy of the entire Appraisal

12. **Final HAP Loan Approval**

The Housing Specialist will review the lender supporting documents, and clarify any questions prior to finalizing the HAP loan amount.

The settlement agent must prepare a draft HUD 1 for the Housing Specialist to review.

The Housing Specialist will review the family file to determine that all conditions outlined in the HAP Preliminary Award Letter have been satisfactorily met, the HUD 1, GFE, lender supporting documentation and determine the final HAP Loan Amount. The HAP Loan package will be reviewed by the Program Manager for final approval and conditions.

The Housing Specialist will prepare the Payment Vouchers for the amount of the HAP assistance. The Vouchers are made payable to the settlement agent on behalf of the purchaser. The Payment Vouchers must be accompanied by the HAP commitment letters and will follow standard County procedures for processing Payment Vouchers. The Housing Specialist monitors the process to ensure the arrival of the checks in time for closing.

The Housing Specialist will prepare the HAP Final Approval Letter, FAX Final Closing instructions to the settlement agent, and prepare the HAP Deed and Note. The Housing Specialist will coordinate the process for obtaining the signature of the County Attorney on the Deed, and forwarding Final Instructions, the HAP Deed and Note, and check to the settlement agent.

XIII. ADMINISTRATIVE PROCEDURES

1. Requesting HAP Funds Disbursement Check for Settlement

In order to ensure that the HAP check will be available at the time of settlement, the loan company's closing department needs to provide the settlement agent with the closing figures for the **HUD 1. The County will not request a check until a draft HUD 1 has been reviewed, and settlement charges are confirmed as correct with the lender's processor. Therefore, the processor must be available to resolve questions regarding settlement charges on the HUD 1.**

The County's check request and cut schedule is: HUD 1 confirmed as correct with the lender by 12:00 noon Monday, HAP check will be ready by 2:00 Friday of the same week. HUD 1 confirmed as correct by 12:00 noon on Wednesday, HAP check will be ready by 2:00 Tuesday of the following week. (NOTE: Holidays may cause these deadlines to move forward.) The Housing Office has no flexibility in this schedule. The settlement date must be scheduled according to the date the check will be available. **SETTLEMENT SHOULD NOT BE SCHEDULED WITHOUT CONSULTING WITH THE HAP STAFF regarding the check issuance schedule.**

OHCD Financial Management staff will process the HAP Loan Settlement Funds Request so that a check will be available for pick up at the Prince William County Finance Office by designated OHCD staff within two weeks. Checks are processed by the PWC Finance Office according to the Monday/Wednesday schedule described above.

The Housing Specialist will make the necessary arrangements to ensure that the HAP check is available at settlement. The check can be brought to settlement by OHCD staff, the loan officer involved in the transaction, or the family, providing a Documentation of Receipt of HAP Funds has been signed by the person receiving the funds from OHCD, or the settlement agent can provide courier or federal express service.

2. Preparation and Submission of HAP Deed of Trust and Deed of Trust Note

Upon receipt of the Legal Description of the property from the settlement agent and Property Identification number, the Housing Specialist will prepare the Deed of Trust and Deed of Trust Note specifying the amount of the HAP Loan. The Deed of Trust and Deed of Trust Note will be mailed, federal expressed, or hand delivered to the settlement attorney for finalization at the time of settlement.

3. Post Closing

After settlement, the Settlement Agent is responsible for returning the following documents to OHCD:

- 1). Original HAP Note
- 2). Certified True HAP Deed
- 3). Recording receipt
- 4). Certified True Deed from first trust lender
- 5). Certified True Note from first trust lender
- 6). Certified True HUD 1
- 7). Signed Certification of Occupancy Form
- 8). Recorded HAP Deed
- 9). Final Title Policy

The Program Manager will review the closing documents, maintain data base, enter pertinent data to complete County and federal reporting requirements, and prepare the file for storage.

4. **HAP Loan Servicing**

OHCD staff will be responsible for subsequent servicing of the HAP Loan.

HAP staff will maintain a database to monitor continuation of hazard insurance in sufficient amount to replace the home in the event of a loss and continued listing of Prince William County Board of County Supervisors listed as second mortgagee.

HAP staff will monitor active loans to ensure that the purchaser maintains the property as their principal residence through the life of the HAP Loan in compliance with the affordability restrictions required by the HOME Program. Staff will pursue all legal means to enforce compliance with HAP Deed restrictions, including foreclosure on the HAP loan should the purchaser default on any Deed terms and fail to repay the principal amount of the HAP loan upon default and demand.

5. **Subordination Of HAP Loan**

The HAP loan will not be subordinated at anytime during the deferral period to a Home Equity Loan, other loan, or refinances of the first loan that result in removal of equity from the property for any reason (i.e. cash, loan consolidation, debt repayment, home improvements, education expenses, etc.).

In order to make a decision regarding the subordination of the HAP Loan, we ask that the loan officer processing the refinance provide all of the following items (please ensure that all loan amounts, rates and terms are consistently reflected on supporting documents):

- 1). Completed Refinance information sheet
- 2). Copy of Typed Loan Application
- 3). Good Faith Estimate
- 4). Mortgage Credit Analysis Worksheet (MCAW)
- 5). Property Appraisal (if FHA Streamline and no appraisal required, please indicate in writing)
- 6). Draft HUD 1 showing all fees and new loan amount
- 7). Legal Information and **new loan amount** for us to complete the attached Subordination Agreement
- 8). Copy of Certificate of Insurance with Prince William County Board of County Supervisors listed as second mortgagee, c/o Office of Housing (Attn. HAP Program), 15941 Donald Curtis Drive, Suite 112, Woodbridge, VA 22191
- 9). Prince William County does not charge fees for processing the Subordination Agreement, unless we are requested to record the Subordination Agreement. If we record there will be a \$100 recording fee charged. Certified check or money order payable to Prince William County Office of Housing and Community Development required prior to recording (personal checks not accepted)

If OHCD approves the subordination of the HAP Loan a Subordination Agreement will be forwarded to the Prince William County Attorney's Office for final approval. We anticipate seven to ten days processing time at the County Attorney's Office, dependent upon their work load. Once the subordination agreement is signed and returned to us from the County Attorney's Office, we will issue a preliminary approval of the subordination, and the settlement can be scheduled. **If the new loan amount or terms change from that initially approved by our office, the lender must submit a new draft HUD 1 and supporting documents for our review and approval. Settlement cannot take place before our office has approved the documentation supporting the revised loan amount.**

Once the settlement has occurred, the settlement agent will need to courier, or Fed Ex the Certified True HUD 1, Certified True Deed and Note from the settlement. We can only forward the Subordination Agreement to the settlement agent after reviewing and approving these actual settlement documents. **Note: Changes in Loan Amounts, terms, charges from those initially approved by our office will be cause for us to withdraw our offer to subordinate.**

The settlement agent should make arrangements for a courier to pick up the Signed Subordination Agreement from our office, or they must provide their Fed Ex billing number, for mailing directly to them from our office.

After the Subordination Agreement has been recorded, a copy must be sent to us. All of these requested items must be sent to my attention at the address on this letterhead.

6. **Pre-payment Of Hap Loan**

The HAP Loan may be paid at any time during the term of the loan due to refinance or sale of the property without penalty or interest. OHCD will issue a pay off statement upon request. The amount due will be the principal amount of the HAP Loan. A \$100 processing fee will be charged by the OHCD for processing and recording a Certificate of Satisfaction.

In the event of foreclosure by the first trust loan, if there are insufficient funds to repay the HAP loan in part, or whole, the amount due will be the balance after repayment of the first loan, and reasonable costs related to the foreclosure process.

7. **Sale Of Property**

Upon sale of a property purchased with a HAP Loan, the principal amount of the HAP Loan (there is no interest charged or accrued on HAP Loans) must be paid in full from the net proceeds from the sale of the property.

Net proceeds are defined as the amount remaining after allowable closing fees are paid. These allowable fees are outlined below:

- ❖ First trust payoff, including applicable fees
- ❖ Real estate commissions (Maximum 6% or prevailing rate, listing/selling agent bonuses are not allowable fees)
- ❖ Seller contribution toward closing cost of purchaser (Maximum 3% of sale price)
- ❖ Attorney fees - \$400 (maximum or prevailing fee)
- ❖ Recording Fees
- ❖ Grantors tax
- ❖ Termite inspection

In the event there are insufficient proceeds to pay off the HAP Loan in full, then the balance remaining after deducting the above allowable expenses, will be accepted as payment of the HAP Loan, and the remainder of the HAP Loan would be forgiven. If the net proceeds from the sale are greater than the HAP Loan, the borrower may keep that balance.

a). **Before Listing The Property For Sale**

OHCD must review and approve the listing sales price as reasonable and comparable to current market conditions. Office of Housing will approve, or recommend changes to the proposed listing. The listing Real Estate Agent must FAX to Office of Housing at 792-7393:

- 1). A Good Faith Estimate for the Seller based on the listing sales price

- 2). Market analysis used to determine the listing sales price
- 3). Listing Agreement

b). **Before Ratifying The Sales Contract**

Office of Housing must review and approve the terms of the Sales Contract. The listing Real Estate Agent must FAX to 792-7393:

- 1). The Sales Contract
- 2). A Good Faith Estimate for the seller based on the Sales Contract

c). **OHCD Approval Of The Sales Contract**

Upon receiving a copy of the Sales Contract and Seller's Good Faith Estimate, OHCD will approve the terms of the Sales Contract, or recommend changes that will be acceptable conditions for the sale of the property.

8. **Repayment Of Hap Loan**

The check for repayment of the HAP Loan should be made payable to:

Office of Housing and Community Development
Homeownership Assistance Program
15941 Donald Curtis Drive, Suite 112
Woodbridge, VA 22191