



PRINCE WILLIAM COUNTY OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT

Rehabilitation-Acquisition Program for First-Time Homebuyers

Purpose

In an effort to provide a wider inventory of potential properties available to first-time homebuyers in Prince William County the Rehabilitation-Acquisition Program for First-Time Homebuyers was formulated. The program combines the Homeownership Assistance Program (HAP) and the Housing Rehabilitation Program. Households eligible to participate in the HAP program will be offered the option for additional funds towards downpayment and rehabilitation of the selected property.



Application Process

When a household is found eligible to participate in the HAP program (see HAP Procedures) by Housing Finance and Development staff, they will be offered the option of participation in the Rehabilitation-Acquisition Program for First-Time Homebuyers. This program will provide additional funding that can be used towards downpayment assistance (maximum

\$25,000) and rehabilitation of a selected property. If the applicant is interested in participating they will sign a Letter of Intent to Participate in the Program. This letter outlines the program requirements including maximum downpayment assistance (\$25,000), minimum rehabilitation dollars (\$2,000), and maximum rehabilitation dollars, in addition to lien provisions. If the applicant decides to participate and signs the letter of intent, the Housing Finance and Development staff will provide the participant a Pre-Award Letter indicating the additional downpayment assistance.



Copy of the HAP application, Letter of Intent to Participate in Rehabilitation-Acquisition Program, verification of income/resources and all other applicable documents will be provided to Community Preservation and Development staff to complete the rehabilitation provisions of the program.

Household Income Eligibility

Income eligibility will be determined by Housing Finance and Development staff using the latest HUD income guidelines. Income and assets will be calculated using the Section 8 Rental Assistance Guidelines. Gross household income must be at or below 80% area median income (AMI), adjusted for family size per the following table:

1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
\$44,800	\$51,200	\$57,600	\$64,000	\$69,100	\$74,250	\$79,350	\$84,500

Minimum Project Cost

The minimum project cost of rehabilitation for projects shall be \$2,000. The minimum cost requirement applies to total rehabilitation costs for work and shall not include delivery costs incurred by the County. Eligible rehabilitation costs shall be the sum of the amount of the contracts for the rehabilitation work including any change orders and any related fees required by the project, which may include survey costs, architectural fees, lead-based paint testing and one year's premium for insurance.

Maximum Project Cost

The Program may use federal funds from both the Community Development Block Grant (CDBG) and the HOME Investment Partnerships Program (HOME) in a single acquisition-rehabilitation project. Both CDBG and HOME have limits regarding the amount of federal dollars that can be used in an individual project. Before a project can be approved, staff must determine compliance with the distinct rules applicable to the federal funding source(s) which will be used for funding.

The CDBG regulations state that the maximum federal dollars for housing rehabilitation can not exceed 75% of the replacement cost.



The HOME Program's intent is to provide modest housing and uses a limit that changes with market conditions, and is published for the Single Family Mortgage Limits under Section 203(b) of the National Housing Act (12 U.S.C. 1709(b)).



The HOME limits state that the 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 value after acquisition and rehabilitation that does not exceed the 95% limit as described above. The 95% limits value as of 1/17/06 is \$362,790. Due to these limitations it is important to indicate all possible rehabilitation items.

The maximum CDBG assistance for downpayment cannot exceed \$25,000. \$50,000 is the maximum assistance for rehabilitation. Community Development Block Grant (CDBG) regulations state that the maximum federal dollars for housing rehabilitation can not exceed 75% of the replacement cost. Therefore, if the replacement cost of a home is \$100,000, the maximum CDBG funds can not exceed \$75,000. Replacement is determined by identifying the cost of constructing a new housing unit of comparable size (i.e. square footage). The 75% rule for rehabilitation applies to rehabilitation cost only. The cost for lead-based paint testing and correction are not apart of this calculation.

The Housing Finance and Development staff and the Community Preservation and Development staff will conduct these calculations after cost estimate has been performed for the rehabilitation work and the appraisal is completed.

Appraisals

All properties must have an appraisal of the property before rehab and an estimated after rehab value that does not exceed the 95 % limit as described above. The 95% limit as of 1/17/06 is \$362,790. In the event that the after rehab value exceeds this limit, the Work Write-up items will need to be adjusted to eliminate non-code and/or non-HQS items to lower the estimated after rehab value. Another after rehab value must be completed. If there is an additional cost for the report, the purchaser of the property will be responsible for the additional charge.

Assistance to the Homeowner

The amount of assistance provided for rehabilitation will be secured by a deferred deed of trust on the property. The 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.



Contractor Requirements

As a convenience to the property owner they can either;

1. Select a contractor from a list of bidders currently active in the Program, or
2. Get three (3) sealed bids for other contractors, or
3. If under \$15,000 get 3 written quotes on work to be performed.

To be awarded a contract or to be included on the bidder list, the contractor must provide the following:

- Evidence of comprehensive public liability insurance coverage protecting the owner for not less than \$100,000/\$300,000 in the event of bodily injury including death and \$100,000/\$300,000 in the event of property damage arising from the work performed by the contractor. Such evidence of insurance shall be in the form of a certificate from the insurance provider.
- Evidence of workmen's compensation insurance while performing work for the program. Such evidence of insurance shall be in the form of a certificate of insurance from the insurance provider.
- Copy of Commonwealth of Virginia "A" or "B" contractor licenses.
- Copy of Prince William County Business License.
- Resume or Company Profile.
- Three (3) references from property owners who previously had work performed by the contractor.



Payments to Contractors

The property owner, contractor, and the Office of Housing & Community Development (OHCD) will enter into a contract for the work to be completed. The County, with funds provided by the CDBG program and with the property owners written consent, shall pay the contractor for performance of work. OHCD will serve as funds disbursement agent on behalf of the property owner, authorizing payments under the contract to the contractor.

Loan Repayment

The amount of assistance provided for rehabilitation will be secured by a deferred deed of trust on the property. The downpayment assistance provided will be secured by a 30-year deferred deed of trust which includes a share of the market appreciation (See HAP guidelines). The 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. At the time that the property is sold, vacated, leased or transferred through inheritance or any other means to any person other than the original parties to the loan, the principal only amount of the loan becomes due and payable to the County for rehabilitation loans. However, upon the death of the original parties, an heir to the improved property shall not be required to make immediate payment if the heir resided in the property at the time of the original application to the Program, or the heir resided in the property at the time of the death of the parties and the heir's total household income does not exceed established income levels.

In the event that an owner wishes to sell the property and there is not enough equity in the property to repay the loan the County would foreclose on the property, even after the sale. With that possibility, the property probably won't look attractive to a potential buyer or lender. With an outstanding Deed of Trust, the property cannot be transferred free and clear.

Refinance and Subordination

The rehabilitation 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.).

Role of the Office of Housing & Community Development (OHCD)

OHCD staff will assess eligibility of family and property, complete work write-up, assist property owner with contractor selection, inspect work, make funds disbursement on behalf of the property owner, and serve as a liaison between contractor and property owner.



Homeowners have three options to obtain bids for the rehabilitation of their property. As a convenience we offer three options;

- Option #1 Select a contractor from a list of bidders currently active in the Program, or
- Option #2 Get three (3) sealed bids for other contractors, or
- Option #3 If rehabilitation is under \$15,000 get 3 written quotes on work to be performed.

How to Apply

Persons interested in the Rehabilitation-Acquisition Program (RAP) should contact the Housing Finance and Development Division at 703-792-4392, go to www.pwcgov.org/housing, or e-mail Kathy Tyrrell at ktyrrell@pwcgov.org

