

## HOLLYWOOD HOMEBUYER PURCHASE ASSISTANCE PROGRAM (HPA)

### SALE OF CITY OF HOLLYWOOD OWNED HOUSES

#### LENDER GUIDELINES

*Hollywood Homebuyer Purchase Assistance (HPA) is an excellent aid for your qualified buyers to purchase a home. To obtain HPA funds, the first mortgage loan must meet the guidelines below. HPA is a deferred payment loan at 0% interest, 30-year term, with no monthly payment. The loan is payable in full on the maturity date of the Promissory Note (Thirty years from signing). However, at thirty days prior to the maturity date, the City shall offer the mortgagor a refinancing option under the same terms and conditions, so long as the mortgagor has not defaulted on any terms and conditions set forth in the mortgage. The loan will be in default, if any of the following occurs during the loan term: sale, transfer, or conveyance of property; conversion to a rental property; loss of homestead exemption status; failure to occupy the home as primary residence, failure to maintain fire, hazard, flood, and windstorm (where applicable) insurance in an amount that is adequate to cover all property loans, with the City named as loss payee, failure to maintain the property in accordance with all City codes and regulations,. If any of these occur, it shall be considered a default under the City's Mortgage and Promissory Note wherein the City may pursue acceleration of the payment and all other legal remedies to recapture the balance*

#### 1<sup>st</sup> Mortgage Loan Underwriting Guidelines

Eligible first mortgages must be fixed rate conventional, bond, FHA, VA or other governmental loans. Interest only, balloon, option Adjustable-Rate Mortgages (ARMS) and subprime loans are not eligible.

#### INTEREST RATE

The maximum interest rate to be charged on the first mortgage will be set on the first business day of each month and may not exceed 2.0% (two percent) over the Fannie Mae 30-year, 60-day mandatory delivery rate, available at [fanniemae.com](http://fanniemae.com). The interest rate cap is effective for the entire month.

#### RATE-LOCK IN

Pre-approvals The interest rate for a pre-approval will have a "float down" if rates go down. Interest rates are locked at loan approval after a property is under contract.

#### TERMS

Up to 30-year fixed rate. No prepayment penalty on first mortgage loans of any term length.

#### ASSUMABLE

VA loans may be assumable, however, the HPA second mortgage is due when the VA loan is assumed. FHA or conventional first mortgage loans may not be assumable.

#### APPRAISAL

Value has been determined by an appraisal as of 6/15/2022 prepared by a Florida licensed residential property appraiser for City of Hollywood:

\$385,000 - for property located at 550 North 66<sup>th</sup> Terrace Hollywood, FL 33024

\$350,000 – for property located at 2323 Cleveland Street Hollywood, FL 33020

Appraisal will be provided to selected applicants and their lender. If required by 1<sup>st</sup> mortgage lender, the cost of a new appraisal is the buyer's responsibility.

#### PURCHASE PRICE

Purchase price for both houses is determined by City of Hollywood:

\$382,194 - for property located at 550 North 66<sup>th</sup> Terrace Hollywood, FL 33024

\$350,000 – for property located at 2323 Cleveland Street Hollywood, FL 33020  
Sales agreement will be presented by City of Hollywood to priority buyers.

### **ESCROW**

Property tax and insurance escrows are required.

### **LOAN TO VALUE (LTV)**

**Purchase** -Not to exceed 97% LTV. LTV of the first mortgage to be no less than 50% of the appraised value; combined LTV not to exceed 105%. MI may not be charged by primary lender on conventional first mortgages of 80% LTV or less. LTV on VA loans may differ.

**Refinance** -of the first mortgage loan allowed, however, the combined LTV cannot exceed 90%. Appraisal required. No cash out – except to pay for necessary home repairs, educational or medical expenses, subject to verification by City of Hollywood staff or Program Administrator. City of Hollywood must stay in a second lien position.

### **APPLICANT QUALIFICATIONS**

Household income not to exceed 80% of Broward County's Area Median Income (AMI), as published annually.

Applicants cannot have owned residential property within the past 3 years as evidenced by prior 3 years signed federal tax returns and/or companion tax return transcripts. An exception is available in the case of a divorce, provided that in addition to the tax returns, the applicant submits a divorce decree/marital settlement statement, and/or executed closing disclosure statement showing the former spouse refinanced the marital property in his/her name or the marital property has been sold.

### **INCOME/DEBT RATIOS**

Homebuyer is to pay at least 25%, but no more than 38% of their gross income for housing expenses. Higher front ratio may be considered if buyer has low/no existing debt. Total debt ratio (including housing costs) may not exceed 45%; FHA back ratio may not exceed 46%.

### **MINIMUM REQUIRED DOWN PAYMENT**

At the time of application for assistance, buyer must have documented proof of liquid assets on deposit of no less than 3% of the first mortgage loan amount. Buyer must contribute minimum of 3% of their own funds, no variance for VA, no credit towards prepaids (appraisal, inspections, loan application fee, etc.)

### **CLOSING COSTS**

Applicants may pay for closing costs with applicant's own funds, a gift, seller concession, or these purchase assistance funds. Lender may not charge mortgage broker fees, or collect yield spread premium. Total lender closing costs cannot exceed 2.5% of the first mortgage amount, sufficient to cover the following costs: loan origination fee, document prep fee, underwriting fee, processing fee, closing fee, application fee, settlement fee, and notary fee. Lenders that charge a flat rate that may not conform in the case of low loan amounts must have prior approval by Housing Finance Division.

### **NON-CITIZENS**

Applicants who are lawful permanent residents (green card holders), or who have been granted political asylum and approved for permanent residence (in process of receiving a green card) are eligible. Additionally, these applicants should have two years employment, two years US residency, and two years of established credit to secure first mortgage loan approval. Applicants with pending political asylum application or Temporary Protected Status are ineligible at this time.

### **PROPERTY INSURANCE**

City of Hollywood is to be named as "Additional Mortgagee" on all property insurance policies (including flood insurance, if applicable).

## **EMPLOYMENT/INCOME**

Per individual lender underwriting guidelines

**Self Employed & Independent contractors:** Income will be calculated on net income from most current P & L annual statement and/or Adjusted Gross Income from the prior 3 years' tax returns.

**Standard employment (W2 recipients):** Income as derived from review of two months' most recent pay vouchers, W2 for the last 3 years and/or completed Verification(s) of Employment.

## **ALTERNATIVE INCOME SOURCES**

Disability payments, social security, pension, alimony, child support; follow standard Fannie Mae, Freddie Mac or Ginnie Mae guidelines and documents; 1 year history, minimum 3 years remaining term.

## **ASSETS**

All assets verified by a Verification of Deposit and/or 6 months consecutive bank statements.

## **LIQUID ASSETS**

Applicants with liquid assets of \$100,000 or more are not eligible for purchase assistance.

Applicants with liquid assets in excess of \$50,000 after closing are ineligible for purchase assistance. Retirement accounts (IRAs, 401ks) that allow hardship withdrawal will be reduced 10% to calculate remaining asset. Pensions with no early withdrawal are not included in asset calculation.

## **CREDIT**

Per individual lender underwriting guidelines.

Use all income/all debts to arrive at ratios for qualification purposes only, not to offset poor credit. Primary borrower source of income must represent at least 75% of the qualifying income.

## **INSPECTIONS**

A whole house inspection by a Florida licensed home inspector is required, to include roof, termite, electrical, plumbing, hot water heater, heating/cooling system and septic tank (if applicable). The cost of a property inspection is the buyer's responsibility.

## **HOME BUYER EDUCATION WORKSHOP**

Applicants must attend a Home Buyer Education workshop provided by a HUD approved housing counseling/education agency located in South Florida. Online education certificates accepted only from South Florida agencies. Workshop certificate may be no older than 12 months prior to closing.

## **MORTGAGE CREDIT CERTIFICATION (MCC) PROGRAM**

Lender is urged to participate in and qualify the borrower under Broward County's MCC Program.