

PROGRAM GUIDELINES
for the
CITY OF LOUP CITY
NEBRASKA AFFORDABLE HOUSING TRUST FUND PROGRAM
NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

PURPOSE

The purpose of the Loup City Housing Program is to provide financial assistance eligible families, for the purchase of single-family residential housing units within the city limits of Loup City. These homes will be safe, decent, sanitary and affordable, utilizing the Nebraska Affordable Housing Trust Fund (NAHFT) subsidies. It is an important goal to increase the number of good, habitable dwelling units and improve the housing stock by providing financial assistance to homeowners to purchase a home in the community of Loup City. The City of Loup City will provide assistance to those persons at or below 120% area median income, improve the availability of housing, promote home ownership, and increase attractiveness of designated underdeveloped neighborhoods while increasing local employment. This program will be operated and administered by Sherman County Economic Development Board (SCEDB) staff. The City of Loup City and SCEDB are responsible for the establishment of the following guidelines.

1.0 APPLICANT ELIGIBILITY

1.1 General (Conflict of Interest)

No member of the governing body and no other official, employee, agent, or any member of their immediate family of the City of Loup City or the SCEDB who exercises policy, decision-making functions or responsibilities in connection with the planning and implementation of this program shall directly or indirectly benefit from this program. This prohibition shall continue for one year after an individual's relationship with the City of Loup City and the SCEDB ends. Any other employee, officer, or board member may be eligible, but will be treated no differently in the determination of applications accepted for funding. Enclosed with this person's application shall be a statement of disclosure, which outlines the nature of the possible conflict and a description of how the public disclosure was made. Included will also be verification that the affected person has withdrawn from the active involvement in any financial assistance related issues.

1.2 Income Eligibility

Households receiving assistance from this program will be using 24 CFR 5.609 Annual Gross Income (in accordance with HUD guidelines) for the household that does not exceed 120% of the Area Median Income for Sherman County. The annual income is the gross amount of income of all adult household members that is anticipated to be received during the upcoming 12 months. Employer, third party income verifications and lender approval will determine the applicant's eligibility for participation in the program.

2012 - 120% Limit of Median Income Limits:

<u>1 Person</u>	<u>2 Person</u>	<u>3 Person</u>	<u>4 Person</u>	<u>5 Person</u>	<u>6 Person</u>	<u>7 Person</u>	<u>8 Person</u>
<u>\$47,880</u>	<u>\$54,720</u>	<u>\$61,560</u>	<u>\$68,400</u>	<u>\$73,920</u>	<u>\$79,440</u>	<u>\$84,840</u>	<u>\$90,360</u>

The income limits represented in table above are updated on an annual basis.

1.3 Maximum assets.

Applicants are allowed to possess a maximum of \$75,000 of assets, excluding retirement funds as outlined by the Committee of the Federal Register in 24 CFR Part 5. Assets in excess of this amount will deem applicants ineligible.

1.4 Real Residential Property

In order to qualify under the program, an applicant may not currently own or have any other interest in other real residential property that exceeds the maximum assets as referenced in Section 1.3 and the HUD Guidelines. The property to be purchased under this program must be the primary residence of the applicant during the affordability period.

1.5 Marketing Procedures

The City of Loup City and the SCEDB will market the program to local, regional residents, and tenants of public housing with incomes of 120% or less of the median area income for Sherman County. The marketing program will include news articles in the local newspapers and the newsletter for the local schools, along with posters and brochures displayed at areas where qualified homebuyers may frequent on a regular basis. The use of radio advertising, postcards, visitation with various regional businesses, contact with alumni, use of real estate websites, and interaction with various local groups will also be executed. The complete marketing plan can be found on Attachment 1: Marketing Plan for John Subdivision.

2.0 PROPERTY ELIGIBILITY

2.1 Location

The housing units to be purchased by program participants will be located in Loup City's NW Subdivision Project Area. This area is defined in City of Loup City's contract, Number 09-TFHP-2037, with the Nebraska Affordable Housing Trust Fund (NAHTF).

2.2 Purchase Price

The purchase price of each home offered in the program shall not exceed the higher of the current single-family mortgage limits under Section 203(b) of the National Housing Act or the Nebraska Investment Finance Authority single-family price limits for existing properties.

The limit under Section 203(b) for 2012: \$200,160

The limit under NIFA for 2012: \$200,000

The purchase price limits listed above change on an annual basis.

2.3 Maximum per Unit Subsidy

Financial assistance provided to the homebuyer shall not exceed the **maximum** per unit NAHTF subsidy.

2011 limits:

0 BR	1 BR	2 BR	3 BR	4 BR
\$116,900	\$134,007	\$162,953	\$210,806	\$231,400

The maximum per unit subsidy limits listed above are updated on an annual basis.

2.4 Energy Efficiency Criteria

Newly-constructed housing will meet or exceed the 2003 International Model Energy Code and the Nebraska Energy Office will approve all building specifications. All units assisted with Nebraska Affordable Housing Trust Funds (NAHTF) will at a minimum meet Housing Quality Standards (HQS), local and state building codes.

2.5 Lead Based Paint Procedures

No lead-based paint will be used in construction of homes in this project.

2.6 Relocation

No persons will be displaced during the construction of homes. Relocation requirements will not be triggered.

3.0 FINANCIAL ASSISTANCE

3.1 Direct Homebuyer Assistance

Eligible applicants may receive up to \$20,000 from NAHTF in Direct Homebuyer Assistance depending upon appraisal value in the form of a forgivable loan as outlined herein for home purchase. This loan will be secured by a promissory note with the City of Loup City as lien holder.

3.2 Occupancy Agreement and Affordability Period

Applicant will be required to own, occupy as primary residence, and maintain the property for a consecutive period of no less than 5 years and no more than 10 years to satisfy requirements for what is known as the affordability period. The length of period is determined by the amount of Direct Homebuyer Assistance given to a homebuyer as outlined in 4.11. Primary residence shall mean that the owner will occupy the property for no less than six months each year of the affordability period; the property shall not be transferred voluntarily or involuntarily; the property shall not be rented or attempt to be rented; the property shall not be transferred by deed, land contract or any other method. Maintenance of the property will be in compliance with local and state codes.

3.3 Compliance

Eligible applicants will be monitored annually by the SCEDB to determine whether the provisions of the occupancy agreement are successfully completed. The SCEDB reserves the right to review assessor and utility records. Site visits may also be used as needed. A violation of the Occupancy Agreement shall trigger recapture of the Direct Homebuyer Assistance.

3.4 Promissory Note

Applicants will be required to execute a non-interest bearing promissory note with a time period equivalent to the applicant's affordability period. The amount of funds used toward the Direct Homebuyer Assistance subsidy to the respective project will be the principle amount. Compliance with the conditions and terms of the promissory note and the occupancy agreement will satisfy the intent of the program thereby relieving the applicant of periodic monetary service to note.

3.5 Discharge of Note

Discharge of the note will be based upon the affordability period, the amount of time the home owner has been in the home, and the amount of Direct Homebuyer Assistance. During the affordability period, the total amount of the direct payment assistance divided by the number of years of the affordability period will be forgiven each year of the affordability period. Thus, if the affordability period is 5 years and the total amount of the direct payment assistance is \$10,000.00, \$2,000.00 will be forgiven each year of the 5 year affordability period.

3.6 Recapture of Direct Homebuyer Assistance

If the home no longer qualifies as the Homebuyer's primary residence, the portion of the Direct Homebuyer Assistance that has not been discharged will be due immediately. A home no longer qualifies as the homebuyer's primary residence when the owner is not occupying the property for at least six months each year of the affordability period; the property is transferred voluntarily or involuntarily; the property is rented or an attempt is made to rent the property; the property is transferred by deed, land contract or any other method; or action is taken to foreclose on the property.

In the event the Homebuyer wishes to have all or a portion of the Direct Homebuyer Assistance that would be recaptured forgiven, the Homebuyer can request a hearing before the City Council of the City of Loup City. Written requests for a public hearing must be received by the City of Loup City prior to the home no longer qualifying as the Homebuyer's primary residence.

3.7 Security Instrument

Applicant shall execute a deed of trust, as a Trustor, to secure the occupancy agreement and the promissory note. The City of Loup City, Nebraska, will be the Beneficiary of the deed of trust.

The beneficiary of the deed of trust shall knowingly and willfully accept the subordinate position to any other security instrument (whether one or more) that will be filed on the property- at the time of closing for the Direct Homebuyer Assistance funds. Any subsequent security instruments filed on the property will be subordinate to the City of Loup City, Nebraska.

3.8 Plan for Reuse of Recaptured Funds

NAHTF Recaptured Funds from grant contract number 09-TFHP-2037 must be used for NAHTF-eligible activities and meet all NAHTF program rules. These funds are due and payable when there is a transfer City of Loup City Program Guidelines

of title or the property is no longer the primary residence during the affordability period unless forgiven by the City of Loup City as outlined above. Recaptured Funds received by the City of Loup City as a result of down payment assistance will be used for further down payment assistance and/or other eligible activities to improve housing options within the city limits of Loup City. Recaptured funds may not be used for administrative costs but may be used for project-specific soft costs. All NAHTF Program Recaptured Funds must be reported to the Nebraska Department of Economic Development.

3.9 Development Subsidy

In the event the new housing unit appraises at a cost lower than the cost of construction, funds may be made available to the builder to assist in the construction costs of the home. If the amount available to the builder is unused, those funds or a portion thereof may become a part of the Direct Homebuyer Assistance funds with the same provisions outlined herein.

4.0 APPLICATION PROCESS

4.1 Application

SCEDB will give notice in the local newspapers and local radio stations in the Loup City region. In order to obtain the application forms the applicant must go on line to <http://www.loupacity.com/business/housing/john-subdivision/> or contact the SCEDB office at 133 S. 8th Street to schedule an appointment to make an application for assistance. SCEDB Staff will explain the assistance available through the program and be responsible for processing the application, verifying income by third party verifications, credit check and determining the applicant's eligibility for participation in the program. During the application review, SCEDB staff will make recommendations and referrals to other programs available such as USDA Direct Rural Housing Loans, Federal Home Loan Bank, and Nebraska Investment Finance Authority (NIFA).

4.2 Underwriting Criteria

The SCEDB Staff will take into consideration the following mitigating factors in making a credit recommendation to the City Council and/or a housing board appointed by the City Council:

- A. Credit Guidelines- Credit payment history, revolving accounts, any collections, judgments, liens, bankruptcy, foreclosures, repossessions, and credit depth. The SCEDB Staff will use the credit documents of the Homebuyer's lender whenever possible.
- B. Debt to Income Ratios- Housing expense ratios between 25% - 28% and Total household expense ratios between 33% - 40%.
- C. Compensating Factors- Any of the following may be considered in compensating factors providing they are strong: ratios, equity, assets, and time on the job.
- D. Pre Approval Letter from Lender- Term and conditions of applicant's home loan which will be used to finance the home.

4.3 Application Process

Applications will be considered upon completion. An application will be considered complete when the following is received at the SCEDB office and is verified by the SCEDB staff:

- A. Completed application form;
- B. Signed authorization to verify credit information;
- C. Copy of the last year tax return;
- D. Copy of most recent bank statements;
- E. Pay stubs; and
- F. Application payment.

Completed applications will be numbered. If multiple completed applications are received at the same time a lottery will determine the candidates to proceed in the application process.

Applicants must provide a \$500 payment at the time of application submittal. This payment will be refunded to applicants not chosen for the program. The SCEDB will apply the payment towards closing costs for the approved applicant/homebuyer.

Only complete applications containing all information, documentation, and payment that are delivered to the offices of SCEDB at 133 South 8th Street will be processed and then presented to the Sherman County Economic Development Board for approval.

4.4 Mortgage Loan

All applicants will be required to secure a Single Family Mortgage Loan from a lender of their choice to purchase a single-family home. Applicant will provide a pre-approval letter or a good faith estimate from the primary lender after submitting a completed application. The Primary Lender and its underwriting criteria determine the basis for applicants.

4.5 Procedure for Approval or Denial

The application will be reviewed and approved/denied by the Sherman County Economic Development Board based on the recommendation of the staff. Non-approved applicants will be notified in writing, stating the reason for denial. Approved applications will be referred to the City Council of the City of Loup City for final approval at the next regularly scheduled meeting. Upon approval by the City Council, the applicant will be notified by the SCEDB staff through written correspondence.

4.6 Homeowner Education Workshop

Each applicant must attend a Homeowner Education Workshop, approved by SCEDB staff, prior to signing a purchase agreement. Homebuyer Education Workshop includes an educational packet and instructional materials on topics including family financial management, record keeping, and maintenance and up keeping, landscaping, lawns and pest management, appliances and home furnishings. A copy of the certificate of completion of the Homeowner Education Workshop is to be sent to SCEDB from an approved program similar to those offered by the Central Nebraska Housing Developers or USDA Rural Development.

4.7 Purchase Agreement

Once the applicant is approved and has completed an approved homebuyer education workshop as , the applicant will sign a purchase agreement.

4.8 Request for Funds

Following the signing of a purchase agreement and the determination of down payment and closing cost assistance, a request for NAHTF funds will be prepared approximately four (4) weeks prior to the anticipated closing date and submitted within two weeks of the known closing date.

It is expressly understood that the City of Loup City may activate its line of credit in order to expedite the loan closing by request of the borrower. It is also understood that the estimated interest accrual from the time of loan closing and the date that City of Loup City receives reimbursement from the State of Nebraska will be included in the loan closing cost as an expense to borrower. These costs can be amortized into the loan between the homebuyer and primary lender.

4.9 Fair Housing Act of 1968

Title VIII of the Civil Rights Act of 1968 (Fair Housing Act), as intended, prohibits discrimination in the sale, rental, and financing of dwellings, and in other housing-related transactions, based on race, color, national origin, religion, sex, familial status (including children under the age of 18 living with parents of legal custodians, pregnant women, and people securing custody of children under the age of 18), and handicap (disability).

No one may take any of the following actions based on race, color, national origin, religion, sex, familial status or handicap:

- Refuse to rent or sell housing
- Refuse to negotiate for housing
- Make housing unavailable
- Deny a dwelling
- Set different terms, conditions or privileges for sale or rental of a dwelling
- Provide different housing services or facilities
- Falsely deny that housing is available for inspection, sale, or rental
- For profit, persuade owners to sell or rent (blockbusting)

4.10 Affordability Period

The eligible applicant must occupy the property as a primary residence for the affordability period. The affordability period will be based on the amount of Direct Homebuyer Assistance received as outlined below:

<u>Homebuyer assistance</u>	<u>Period of Affordability</u>
Less than \$15,000	5 years
\$15,000-\$20,000	10 years

5.0 LOAN CLOSING

5.1 Closing

The SCEDB will schedule the loan closing with the borrower and the primary lender. The primary lender will prepare all closing documents for its loan. The City of Loup City will prepare and have the borrower execute at closing:

A. Regulation Loan Disclosure

B. Discharge Guidelines as outlined in 3.5

City of Loup City Program Guidelines

C. Promissory Note

D. Occupancy Agreement

E. Deed of Trust

Upon signing of the closing documents, the City of Loup City will file the Deed of Trust at the Register of Deeds Office of the county in which the property is located.

5.2 Insurance

Owner-occupants will need to carry a basic property insurance policy of at least one-hundred (100%) percent of replacement cost. No properties located in a flood plain will be included in this project. Homeowners insurance must be carried on the dwelling throughout the affordability period in order to remain eligible for the program. The City of Loup City is to be named as a loss-payee on all insurance policies.

5.3 Close-Out

SCEDB shall maintain and keep all applications as well as all other required documents, records and other evidence in conformance with NAHTF regulations. The City of Loup City will keep the original promissory note, deed of trust and any other document necessary to secure the City's interest in the Direct Homebuyer Assistance funds. Upon close-out, the documents, records and other evidence will be given to the City of Loup City.

6.0 PROPERTY MAINTENANCE

All properties purchased with financial assistance from Nebraska Affordable Housing Trust Fund shall be maintained in compliance with local ordinances and subdivision covenants.

7.0 CONSTRUCTION SUPERVISION

All single-family units are built under this program shall be subject to appraisal to verify completed value. All development is subject to review and inspection.

8.0 DEVELOPER CONTRACTOR DISPUTES

Construction related developer/contractor disputes or deficiencies and/or any disagreements between the homebuyer and seller/builder or developer to the construction of the homes shall be resolved prior to loan closing in a manner acceptable to all 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/builder, subject only to such special warranty given by the seller on the home and as set forth in the documents delivered and accepted at the time of closing. The foregoing shall not limit warranty-express or implied-as may otherwise exist as a matter of law. Builders shall deliver, by contract, a one year warranty on construction.

9.0 GRIEVANCE PROCEDURES

In the event that any applicant feels he or she has been unfairly treated or discriminated against during the process of selection or projects to be funded, excluding the determination or ability to secure a City of Loup City Program Guidelines

Home Mortgage Loan from a financial institution, or within any other segment of this Program, he or she may submit a formal grievance to the SCEDB for consideration. The grievance must be received in writing by the SCEDB within 14 days after the action, which is the basis for grievance. The SCEDB will act upon grievance within 14 days after receipt of the written formal grievance.

The SCEDB decision may be appealed to the City Council of Loup City for consideration. The appeal must be received in writing by the City Council of Loup City and postmarked within 14 calendar days of the decision. The City Council of Loup City will act to support or overturn the action within 30 days of the receipt of the appeal. The City Council of Loup City will have final authority in the decision.

Appeals regarding loan ability shall be made to the financial institutions in accordance with their procedures.

10.0 AMENDMENTS TO THE GUIDELINES

In an ongoing effort to improve the quality of the program, the SCEDB and City of Loup City will accept suggestions from the public, program participants, contractors, program staff, or members of the Board, with regard to program guideline amendments. All suggestions received will be taken under consideration by the City. Upon approval by Nebraska Department of Economic Development and adoption by the City of Loup City, the amendment will be included in the Program Guidelines.

11.0 OFFICIAL CONTACT OFFICE

The place of contact for this program shall be the office of the SCEDB located at 133 S 8th, Loup City, Nebraska. Any grievances, suggestions, or requests for information should be directed to that office. This in no way shall be construed to limit other interested parties from distributing information about the program or receiving suggestions for amendments to the program. All appeals shall be directed to the City of Loup City in writing.

12.0 REPORTING REQUIREMENTS

12.1 Semi-annual Status Reports

Loup City will contract with SCEDB to prepare and submit to the Nebraska Department of Economic Development a semi-annual status report detailing activities undertaken, applications taken and in progress, applications approved, closings held and funds obligated and expended. A copy of all such reports will be provided to the City of Loup City prior to submission to the Nebraska Department of Economic Development.

GRANT PROGRAM ADMINISTRATOR

Michael Eurek, Executive Director
Sherman County Economic Development Board
PO Box 428
133 S. 8th St.
Loup City, NE 68853
Phone: (308) 745-5040

CITY OF LOUP CITY, NEBRASKA

Roberta Kowalski, City Clerk
City of Loup City, Nebraska
PO Box 250
134 S. 8th St.
Loup City, NE 68853
Phone: (308) 745-0222