

First Time Homebuyer and Down Payment Assistance Programs

Homebuyer Programs for Missouri & Kansas

HOUSE KEEPING

**Please make sure
all cell phones are
turned off or are
on silent**

Restrooms

Refreshments

Agenda

Welcome & Introduction

Missouri Programs

Ten Minute Break

Kansas Programs

Ten Minute Break

Other Cities and Municipalities

Why Train Realtors?

- Realtors are often the first contact for a first-time buyer
- DPA products are usually for first time buyer
- Training Realtors on these products makes the process easier for buyers, Realtors, Lenders

First Place Loans/ Mortgage Revenue Bonds



Description of MRBs'



Type of Fund & Availability



Process and Procedures of the Program



Restrictions of the Program



Program Eligibility Requirements



Income Calculation & Limits



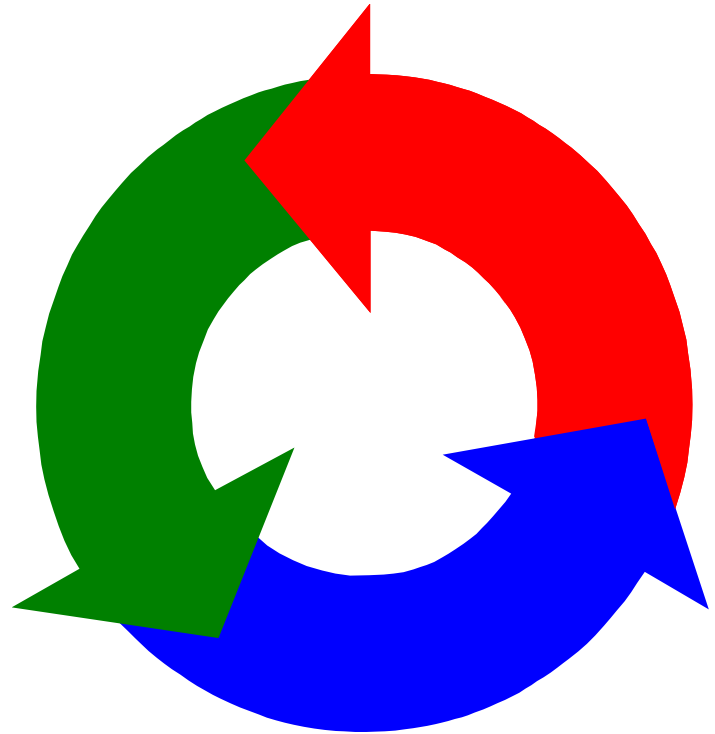
The Program is available for anyone purchasing in the state of Missouri

Mortgage Revenue Bonds

- What is an MRB?
- Where does the money come from ?
- Who establishes the rules?
- Investment Instrument
- Sale of Bonds to Investors
- IRS-Bonds are Tax-Free, so IRS rules apply

Where Does the Money Come From

- MHDC sells bonds to investors
- The money from investors is used to make home loans
- The payments on the mortgage loans pays principal and interest to the investors

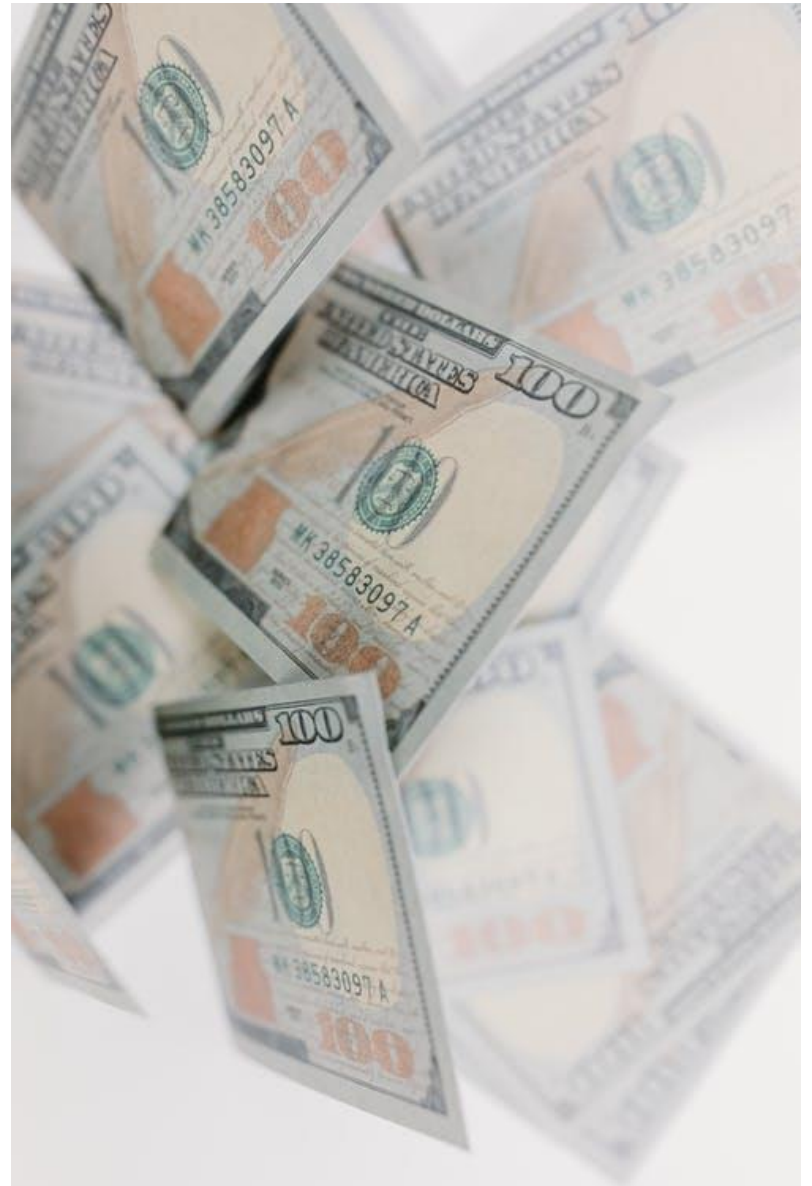


Where Does the Money Come From?

Efficient method of
increasing availability of
Affordable Housing

No cost to Missouri
taxpayers

Federally authorized tax
exemption



Why Should I Care About the First Place Program?



- Nationwide, the single largest reason potential buyers don't purchase a home is lack of down payment
- **First Place Loans** can assist your buyers with their down payment
- If more of your buyers have access to a down payment, you will sell more homes
- Number one myth with first time homebuyers is that you have to have 20% down payment



What Type of Funds are Available

- Cash Assistance Loan (CAL)
- Non-CAL loans
- The CAL is 4% of the total loan amount
- Both types of funds are always available
- Best rate available in Target Areas

CAL provides first-time homebuyers with a 30-year fixed-rate first mortgage at affordable rate.

In addition, it will offer 4% of the total loan amount to go towards down payment and closing cost assistance.

4% will come in the form of a forgivable second mortgage



- There are no monthly payments on the CAL
- At closing the lender will front the 4% CAL to the borrower and will be reimbursed by the master servicer when the loan is purchased.
- **If the borrower will not have to pay the CAL back if they live in the home and stay in the loan for 10 years. The loan will diminish 1/60 every month from year 5 to year 10 then be completely forgiven**

USING CAL FUNDS

- CAL funds will always be 4% of the loan amount, not the sales price
- CAL funds may be used to pay any allowable closing cost, or to assist with down payment
- CAL funds will be in a form of a 10-year forgivable second mortgage, which is recorded as 2nd lien on the property.



- Non-CAL provides first-time homebuyers with a 30-year fixed-rate first mortgage at an even lower rate.
- First-time homebuyers eligible for lower interest rate than those who use CAL.
- Rates result in lower monthly payments
- NON-CAL loans do not provide down payment and/or closing cost assistance

- Usually, .75% lower than CAL rate
- Homebuyer can realize considerable savings over the life of the loan using Non-CAL funds
- Usually make up 10-15% of entire Bond Issue

Non-CAL
funds

Advantages of the First Place Program

Lower monthly payments

Cash to help with closing costs/down payment

No added credit underwriting/qualifying

MHDC does not credit underwrites the loan, refer to your loan officer for underwriting questions.

Allows you to qualify more borrowers, thus selling more homes.

Advantages of First Place Program

Borrower applies at local certified lender and not with MHDC

Allows Realtors the opportunity to establish relationships with lenders

No worries about Predatory Lending-MHDC regulates fees and audits every loan file for excessive fees



How Does The Money Get To The Buyer?

- Borrower finds a home and signs a contract
- Lender accepts application, reserves funds, processes and approves loan
- At closing, lender funds loan
- After closing, Lender sells loan to the master servicer
- This keeps the MRB process from slowing loan closing

What is the procedure for getting funds reserved?

Every certified lender has access to the MHDC on-line reservation system, Lender Online.

Lenders may make reservations as soon as they have a signed loan application and a **fully executed** real estate contract.

Loans need not be approved before a reservation may be made.

What is the procedure for getting funds reserved?

Reservations are for 45 days for existing and new construction properties

Reservations may be extended for an additional 30 days if extension conditions are met

Reservations automatically cancelled if not extended

This will all be done by the lender

REAL-ESTATE CONTRACT

- Provide a copy of the real estate contract with **all** addendums.
- Be certain any adjustments to sales price are included.
- Both buyer and seller must have executed and dated contract.
- Reservation cannot be made until you have a FINAL contract.
- **The home may now have a purchase price higher than the appraised value but no more than 4% of the appraised value and must be approved by MHDC.**



WHAT ARE THE RESTRICTIONS?

MHDC restricts the amount of fees that may be charged, eliminating “junk fees”; e-mail fee, realtor fees to the buyer, etc.

No Manual Underwriting on FHA loans, other types of loan can be manually underwritten but restrictions will apply

Minimum Credit Score **640**, maximum DTI is **45%**

IF score is higher than **680** the DTI can go up to **50%**

Secondary financing is only acceptable from other government agencies

How Easy is the Product to Use?

Use programs you are familiar with:

- FHA, USDA/RD VA, Conventional (Freddie Mac and Fannie Mae), including the HFA Advantage and HFA Preferred programs
- Borrower selects the type of loan he wants to use, then applies and closes when approved
- Most underwriting criteria will be mandated by the type of loan the borrower selects. (i.e., FHA, VA, etc.)
- The only overlay on an MHDC loan would be the 640-credit score and the 45% DTI.

HFA Advantage and HFA PREFERRED (Conventional Loans Only)



Housing Finance Agencies Only



Deliver loans 97% loan-to value (LTV)



Borrower contribution = \$0 for one-unit prop.



Low mortgage insurance coverage



Borrowers under 80% of the AMI will receive a lower interest rate and a reduction in their MI coverage



Borrowers over 80% of the AMI will have an interest rate of approximately .5% higher.

Who is eligible to use the program?

Buyers must meet **five** tests to be eligible for First Place and MCC programs

1. Borrowers must be first-time buyers
2. Property cannot be in Flood Zone A
3. Household income cannot exceed limits set by MHDC
4. Sales price cannot exceed limits set by MHDC
5. Borrowers must have a credit score of 640 or higher

Who Is A First Time Buyer?

Has not owned their **principal residence** in the last three years

Have no mortgages showing on their credit report for the last 3 years.

This will only apply to **ALL** adult persons who will be on the loan or the spouse of the borrower.

First Time Buyer Exceptions

Buying in a Targeted Census Tract

A Qualified VETERAN

Rental property ownership OK if not occupied by buyer for last three years

Paying off Construction/Bridge Loans

May have owned a mobile home and the property was not on a permanent foundation

Flood Zone A

- This is the 100-year flood plane
- **No** portion of the property may be in a Special Flood Hazard area
- Flood Insurance will not provide an exception
- An elevation certificate will not provide an exception
- Flood determination comes from the Flood Certification Letter
- **Lenders can pull flood certification if you have concerns**

Calculating Household Income: Does Your Buyer Qualify?



If a buyer does qualify for the program, they may be eligible for a bigger loan, and possibly a more expensive home



Knowing the rules allows you to help the homebuyer buy the home they really want

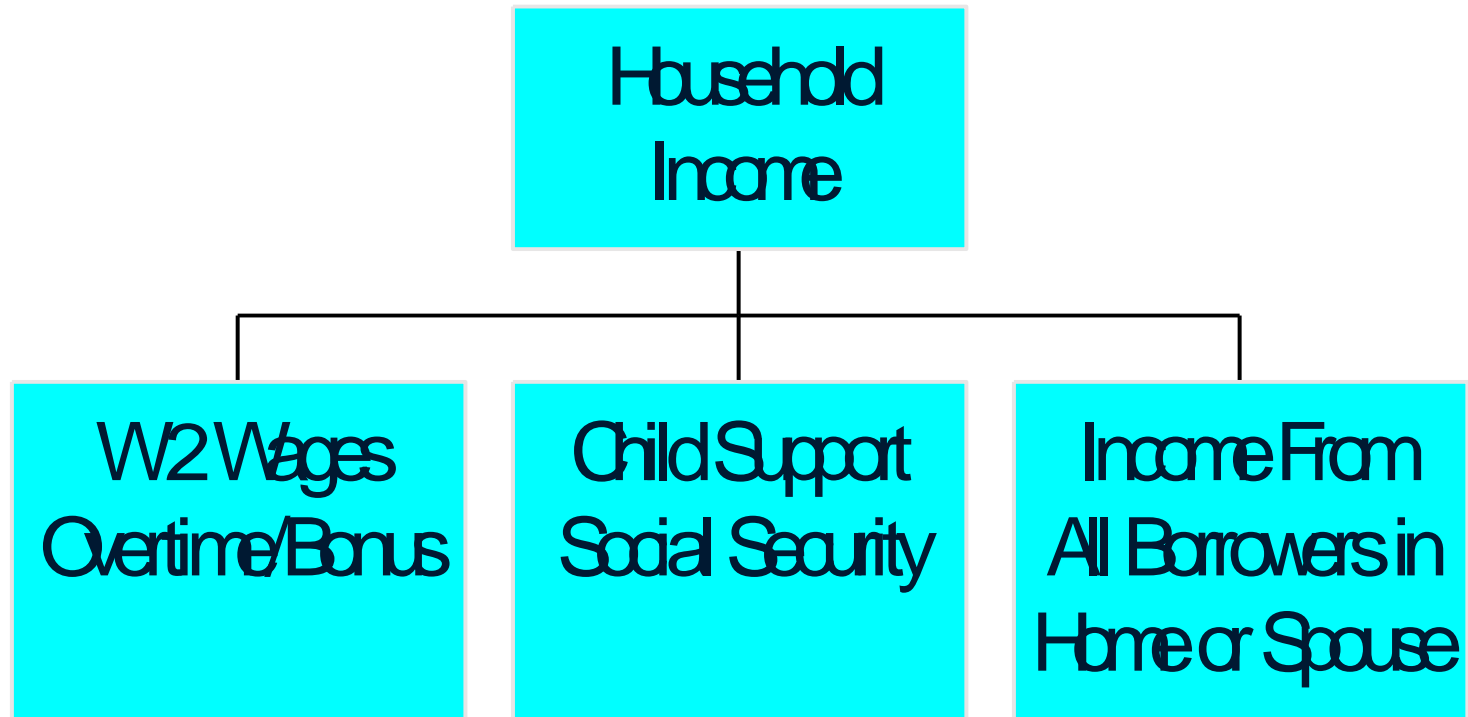


Knowing they don't qualify can save both of you time and disappointment



Realtors should be aware of the income guidelines

What is Household Income



How Is Income Calculated?

- Base earnings are projected forward for a full 12- month period.
- All overtime, bonuses and commissions will be calculated based on the most recent 12-month period (not a calendar year).
- Overtime/bonuses: Last 12-month history may be required.
- **There are different qualifying procedures**

HOUSEHOLD INCOME



Calculating “worst case scenario:”



VOE states \$3,000 in overtime this year, and \$4,500 in overtime last year.



If a 12-month breakdown of overtime is not provided by employer, MHDC will accept totaling overtime for current and previous year, divided by 12:



Example: $\$3,000 + \$4,500 = \$7,500 / 12 = \625 monthly overtime.

Example of Income Calculation

- ▶ Hourly rate of \$20.00 x 40 hours
= \$800 x 52
= \$41,600
- ▶ $\$41,600 / 12 = \$3,467 / \text{month}$
- ▶ Spouse, not on the loan = \$2,000 month
- ▶ Child support = \$400/month
- ▶ Total income = $\$5,867 \times 12 =$ **\$70,400 annually**

OTHER FORMS OF INCOME

Self-employment

Child support

Seasonal

Unemployment

Interest Income

DIFFERENCE IN CALCULATION FOR SELF-EMPLOYED PERSON



Income listed on line 3 (net earnings) of the 1040 Schedule 1 is used.



Deductions are allowed, but all depreciation must be straight-line (Schedule C).



Be certain to include the borrowers' portion of retained earnings for Partnerships and S-Corporations.



MHDC does not average income over several tax years.

SEASONAL/IRREGULAR INCOME



Use the exact amount received in the previous 12-month period.



If on the job less than 12-months, divide total income by months worked, then project forward to obtain 12-month income figure.



Example:

$\$17,653/8 = \$2,206.62$ monthly, $\$2,206.62 \times 12 = \$26,479.50$ annually.

TREATMENT OF ASSETS

Liquid Assets over \$5,000 must be calculated as income

► Exception is Retirement Plans/Stocks

Example:

Bank Acct \$10,500.00

$$\begin{array}{r} \times \quad 2\% \\ \hline \$210.00 \end{array}$$

$$\$210/12 = \$17.50 \text{ a month}$$



TOTAL NUMBER IN THE HOUSEHOLD

TOTAL NUMBER IN HOUSEHOLD

- A dependent may be counted if the parents are divorced and per the divorce decree each parent has custody 50% of the time.
- Foster children are NOT counted as members of the household.
- An unborn child may not be included as a dependent.

MISSOURI HOUSING DEVELOPMENT COMMISSION Single Family Mortgage Revenue Bond Program

MAXIMUM PURCHASE PRICE REQUIREMENTS (Rev. Proc. 2023-22, Effective April 20, 2023)

NON-TARGETED AREAS		TARGETED AREAS/NEXT STEP	
<u>1-Family Residence</u>	<u>2-Family Residence</u>	<u>1-Family Residence</u>	<u>2-Family Residence</u>
\$481,176	\$616,111	\$588,104	\$753,024

HOMEBUYER INCOME LIMITS (HUD FY 2023 Income Limits Briefing Material, Effective May 15, 2023)

NON-TARGETED AREAS		TARGETED AREAS/NEXT STEP	
<u>1-2 Persons</u>	<u>3+ Persons</u>	<u>1-2 Persons</u>	<u>3+ Persons</u>

Kansas City MSA (Counties of
Caldwell, Cass, Clay, Clinton,
Jackson, Lafayette, Platte, &
Ray) *

\$102,500

\$117,875

\$123,000

\$143,500

Jefferson City MSA (Counties of
Cole & Osage)**

\$87,500

\$100,625

\$105,000

\$122,500

Columbia MSA (Boone
County)***

\$93,200

\$107,180

\$111,840

\$130,480

St. Louis MSA (Counties of
Franklin, Jefferson, Lincoln, St.
Charles, St. Louis City, St. Louis
County, & Warren)****

\$100,500

\$115,575

\$120,600

\$140,700

All other Areas

\$85,600

\$98,440

\$102,720

\$119,840

Questions on Income?

- Calculation?
- Limits?
- Number in the household?



Next Step Program funded with TBA

Description of TBA

Maximum Sale Price Limits

Types of Eligible Properties

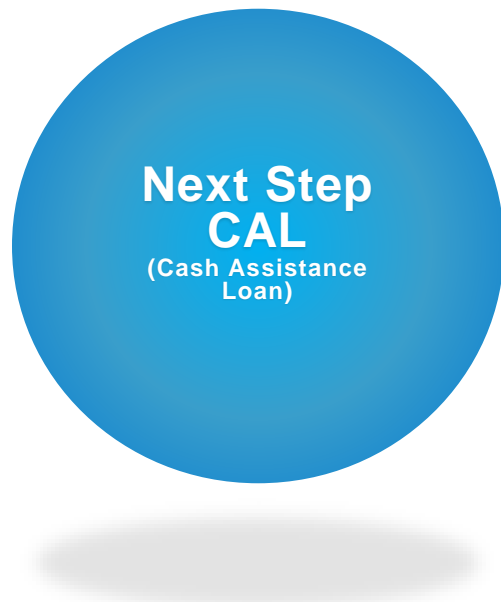
Occupancy requirements

Manufactured Homes



Next Step

- This is a forward commitment program where the mortgage interest rate is set usually daily, sometimes more often, depending on the market conditions. Reservations are only available Monday through Friday 9-5 pm.
- Extensions will be allowed but at a cost. Under the Next Step program the loans do not have to meet IRS regulations, they only must meet MHDC regulations.



Next Step CAL provides first-time and non first-time homebuyers with a 30-year fixed-rate first mortgage at affordable rate.

In addition, it will offer 4% of the total loan amount to go towards down payment and closing cost assistance.

4% will come in the form of a ten-year forgivable 2nd Mortgage

- There are no monthly payments on the 4%
- The borrower will not have to pay the 4% unless they sell or refinance in the first ten years.
- At closing lender will front the 4% CAL to the borrower and will be reimbursed by the master servicer when the loan is purchased.



- Next Step Non-CAL provides first-time homebuyers and Non first-time homebuyers with a 30-year fixed-rate first mortgage at an even lower rate
- First-time homebuyers eligible for lower interest rate than those who use CAL
- Rates result in lower monthly payments
- Program does not provide down payment and/or closing cost assistance

Program Objectives



The Next Step Program allows Missouri citizens the opportunity to continue their quest for homeownership.

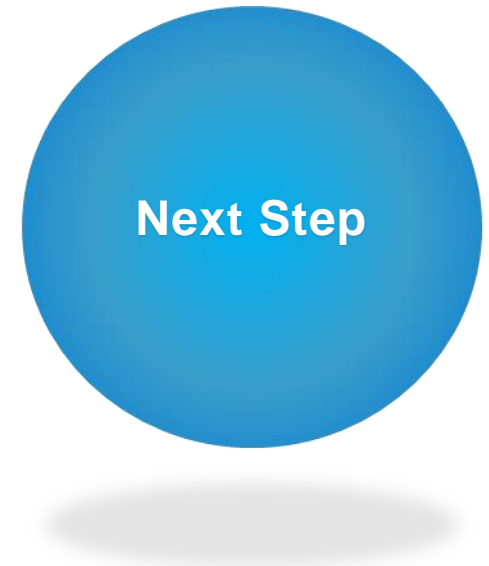


Next Step will enable **non**-first-time homebuyers who lack sufficient equity or funds for down payment to purchase their new home.

Next Step

If a borrower lives in their current home and wants to buy another home using the Next Step program, this will be allowed, however the following must be met:

- ▶ borrower must live in the new home as their primary residence
- ▶ rental income from the old home must be counted against the borrower for MHDC income qualifying
- ▶ Must also follow your credit underwriting guidelines



Maximum Income Limits For Next Step

Effective 3/30/22

MHDC

First Place Loan Program & MCC Program

	<u>1-2 persons</u>	<u>3+ persons</u>
Kansas City MSA <i>(Counties of Caldwell, Cass, Clay, Clinton, Jackson, Lafayette, Platte and Ray)</i>	\$116,160	\$135,520
Jefferson City MSA <i>(Counties of Cole, Osage)</i>	\$99,240	\$115,780
Columbia MSA <i>(Counties of Boone and Howard)</i>	\$105,600	\$123,200
St. Louis MSA <i>(Counties of Franklin, Jefferson, Lincoln, St. Charles, St. Louis City, St. Louis County and Warren)</i>	\$113,180	\$132,860
All Other Areas	\$97,080	\$113,260

SUBJECT TO CHANGE

PLEASE MAKE CERTAIN YOU ARE ALWAYS USING THE CORRECT CHART.

Single set of Price Limits used State-wide

Two Family properties allowed, but must be at least 5 years old, one side owner occupied

Non-Target

1 Family \$481,176

2 Family \$616,111 (not allowed with MCC)

Target and Next Step

2 Family \$753,024
(not allowed with MCC)

1 Family \$588,104
(not allowed with MCC)

New Sales
Price Limits
Effective
2023

BREAK TIME

10-minutes



Property Guidelines

- Single family Detached, duplex, 1/2 duplex, condo, townhouse
- No properties in 100-year flood plane
- No income producing property
- No business occupying over 15% of home



Property Guidelines

- IRS regulations prohibit financing income producing property
- Maximum acreage is 10 acres



Two-Family Residences

Buyer may purchase both sides of a two-family unit

Units must be at least five years old

Owner must occupy one unit

Rental income is not considered for MHDC qualifying income

These are not allowed with the MCC program

Two-Family Residences

Lenders may consider income from the rental side as they would for any other two-unit transaction (usually 75% of scheduled rent)

For example, total payment on a duplex is \$1,200, with a rent of side two of \$800. Lender will consider \$600 of rent towards qualifying income

MHDC will not consider this \$600 for qualifying income.

Inspections

- MHDC does not require any additional inspections for any of the programs
- Any inspections required by RD, FHA etc. would be performed





OWNER OCCUPANCY REQUIREMENTS

- Mortgagors must occupy the residence within 60 days of loan closing and continue to occupy if the MHDC loan exists.
- Mortgagors may not rent the property if the MHDC loan exists.

Questions?



Mortgage Credit Certificate

Description of the program

Tax Credit vs Tax Deduction

Benefits to the borrower

How it works with the Next Step Program

Tax Credit Rate

Mortgage Credit Certificate

- A certificate provided by MHDC to the borrower that directly converts a portion of the mortgage interest paid by the borrower into a non-refundable tax credit.
- Mortgage credit certificates can only be issued by MHDC through certified lenders and are typically available only to low- or moderate-income buyers. MCC's must meet IRS/MHDC regulations.
- These certificates are designed to help first-time homebuyers qualify for a home loan by reducing their tax liabilities below what they would otherwise have to pay.



Mortgage Credit Certificate

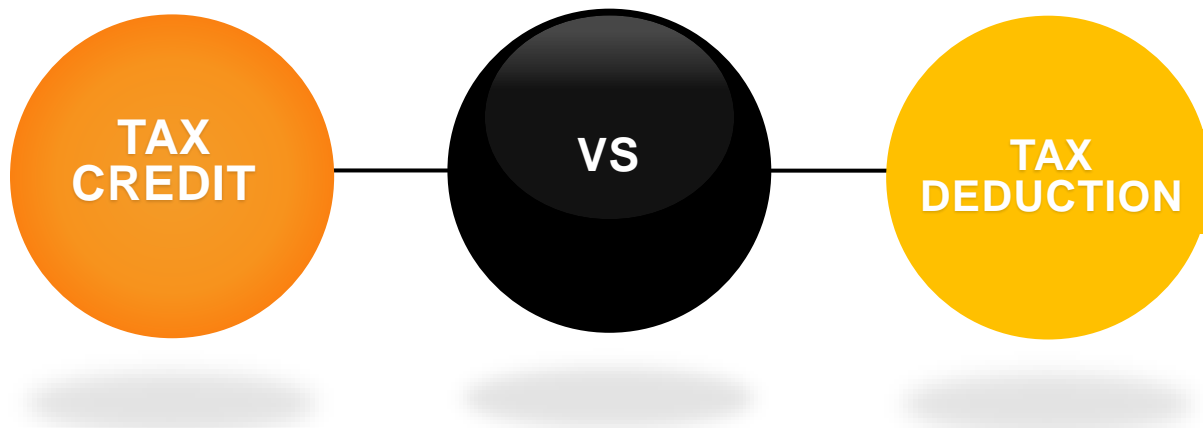
- MCC will not be reissued.
- Therefore, if a borrower refinances their home, they will lose their MCC.
- MCC's are assigned to the borrower and the mortgage on the home, so if they refinance or sell their home the MCC will become null and void.
- MCC are non assumable and non transferrable.
- If the borrower fails to occupy their home as their principal residence the MCC will become null and void.

Mortgage Credit Certificate

For mortgage loans involving MCCS, conventional underwriting standards for housing expense and debt ratios may be modified to recognize the benefit of the MCC.

The secondary mortgage market and the mortgage insurance industry have established underwriting policies for loans involving MCCS. These are available separately as policy statements from the mortgage lending industry, but generally allow the credit available under the MCC to be treated as an adjustment to the monthly loan payment amount.

MORTGAGE CREDIT CERTIFICATE



Mortgage Credit Certificate



Entitles taxpayers to subtract from the adjusted gross income before federal income taxes are computed. Therefore, with a deduction, only a percentage of the amount deducted is realized in savings.

Mortgage Credit Certificate

An orange circle with the text "TAX CREDIT" in white, bold, uppercase letters. The circle has a soft shadow underneath it.

**TAX
CREDIT**

Entitles taxpayers to subtract the amount from their total federal income tax liability, receiving a dollar for dollar savings.

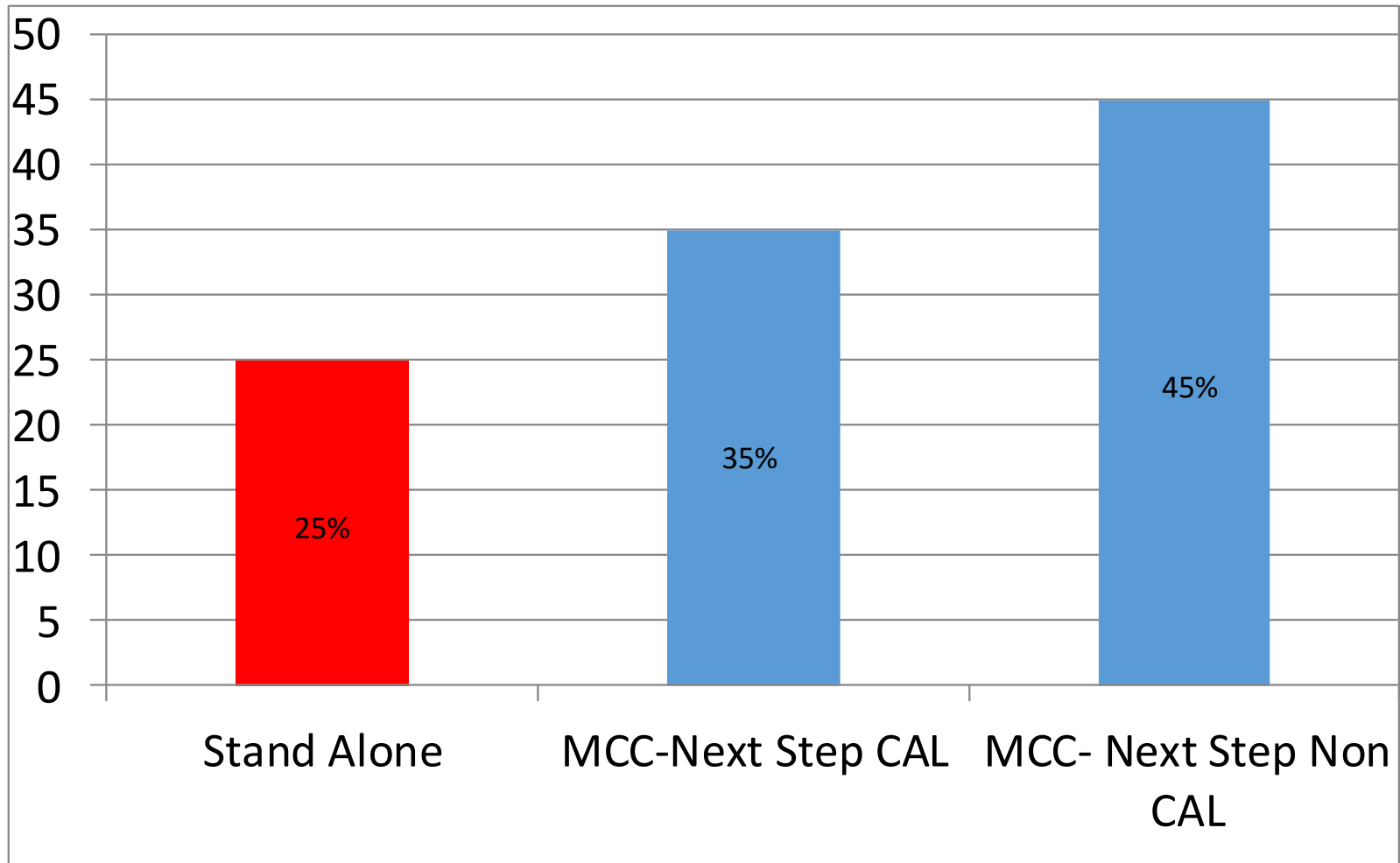
MORTGAGE

	Without MCC	With MCC
Mortgage Amount	\$194,000	\$194,000
Mortgage Interest Rate	6.875%	6.875%
Monthly Mortgage Payment	\$1274.44	\$1274.44
MCC Rate	N/A	25%
Monthly Credit Amount (First Year Average)	N/A	\$166.67
"Effective" Monthly Mortgage Payment	\$1274.44	\$1107.77

TAX RETURNS

	With a MCC	Without a MCC
Adjusted Gross Income	\$65,000	\$65,000
Standard Deduction	\$13,850	\$13,850
Taxable Income	\$51,150	\$51,150
Tax	\$6,560	\$6,560
Tax Credit for MCC	\$2,000	0
Total Tax Liability	\$4,560	\$6,560
The borrower can fill out a new W-4 form with their employer to receive more money in each paycheck.		

MCC Credit Rates



MCC Stand-Alone Program

- Stand Alone MCC's are borrowers who purchase the MCC only. The mortgage is through the certified lender using your interest rate and your loan term. Only term unallowable will be a balloon loan.
- Stand Alone MCC is worth 25%.
- MCC is good for the "Life of the Loan" equal to 25% of the mortgage interest paid in a year.
- Maximum allowable credit in a year is \$2,000.
- If your allowable credit is reduced because of the limit based on your tax, you can carry forward the unused portion of the credit to the next 3 years or until used, whichever comes first.
- Claim on yearly tax returns (IRS Form 8396).
- Borrowers are charged a one-time fee of 1% of the total loan amount for MCC.
- MHDC must prior approve all MCC.

MCC – NEXT STEP CAL

- MCC-CAL borrowers receive 4% down payment assistance along with the MCC. MHDC sets the interest rate, all loans are 30-year fixed rate, and must be sold to our Master Servicer.
- MCC is worth 35%.
- MCC is good for the “Life of the Loan” equal to 35% of the mortgage interest paid in a year.
- Maximum allowable credit in a year is \$2,000.
- If your allowable credit is reduced because of the limit based on your tax, you can carry forward the unused portion of the credit to the next 3 years or until used, whichever comes first.
- Claim on yearly tax returns (IRS Form 8396).
- Borrowers are charged a one-time fee of 1% of the total loan amount for MCC.
- MHDC must prior approve all MCC.

MCC – NEXT STEP NON CAL

- MCC-Next Step Non CAL borrowers will only receive a MCC. MHDC sets the interest rate, all loans are 30 year fixed rate, and must be sold to our master servicer.
- MCC is worth 45%.
- MCC is good for the “Life of the Loan” equal to 45% of the mortgage interest paid in a year.
- Maximum allowable credit in a year is \$2,000.
- If your allowable credit is reduced because of the limit based on your tax, you can carry forward the unused portion of the credit to the next 3 years or until used, whichever comes first.
- Claim on yearly tax returns (IRS Form 8396).
- Borrowers are charged a one-time fee of 1% of the total loan amount for MCC.
- MHDC must prior approve all MCC.

Would an MCC Be Beneficial?		2017 1040 Return	Mortgage Credit Certificate Benefit			
				No MCC	With MCC	
Borrower(s) Filing Status:	Single		Loan Amount	\$ 266,750		
Number of Children Under 17 in Household	1		Mortgage Interest Rate	6.750%	5.000%	Effective Mortgage Interest Rate
			Term (years)	30		
Adjusted Gross Income	\$ 80,000	Line 37	Approx. 1st Year's Mortgage Interest	\$ 17,919		
Standard Deduction Amount	\$ 12,000		MCC Credit Rate (25%, 35%, 45%)	25%		
Itemized Deduction Amount	\$ -	Line 42				
Greater of Standard or Itemized Deduction	\$ 12,000		MCC Tax Credit Amount	\$ 4,480		
TAXABLE INCOME	\$ 68,000		Applicable Credit - not to exceed	\$ 2,000		
Approximate Tax Liability	\$ 10,900		Taxable Income	\$ 68,000	\$ 68,000	
Other Credits:						
Child & Dependent Care Expenses	\$ -	Line 43	Federal Tax Liability	\$ 8,900	\$ 8,900	
Child Tax Credit	\$ 2,000	Line 52	Less MCC Credit	NA	\$ 2,000	Credit cannot exceed liability
Other Credits	\$ -		Net Taxes Owed	\$ 8,900	\$ 6,900	
Total Tax Credits	\$ 2,000	Line 54				
Total Tax Liability	\$ 8,900	Line 63	Credit Difference using MCC		\$ 2,000	
	<i>Tax Liability must be > 0 to benefit from an MCC</i>				\$ 166.67	Effective Monthly Savings
			Total Interest Savings at:			
			5 years	10,000		
			10 Years	20,000		
			15 Years	30,000		
			20 Years	40,000		
			25 years	49,460		

Questions?

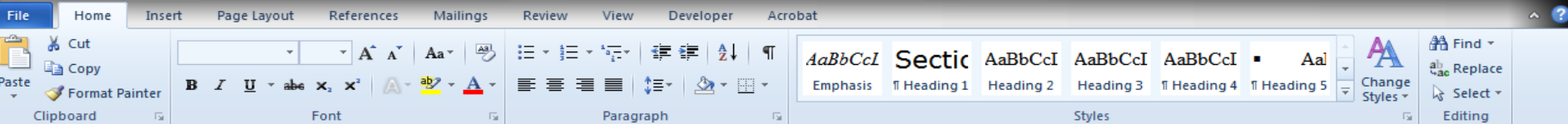
- MCC's
- Tax Deductions
- Tax Credit
- Benefits to the Borrower



Federally Targeted Census Tracts: What Are They?

Areas where 70 percent of households earn less than 80 percent of area median income

These areas are eligible for special considerations: First Time Buyer requirement waived, higher income limits, higher sales price limits



MHDC-FIRST PLACE LOAN OPERATIONS MANUAL

Section 11 - Federally Targeted Census Tract Areas

Targeted Area means an area in which 70% or more of the families have an income that is 80% or less of the statewide median income or an area of chronic economic distress in such an area has been designated by the commission and approved by the secretaries of the Treasury and Housing and Urban Development; provided that, in either case, only those areas meeting the foregoing criteria and designated by the commission as Targeted Areas shall be deemed to constitute Targeted Areas.

NOTE: Borrowers purchasing within a Targeted Area do not have to meet the first-time homebuyer requirement, and the income limits and purchase price limits are higher for said areas.

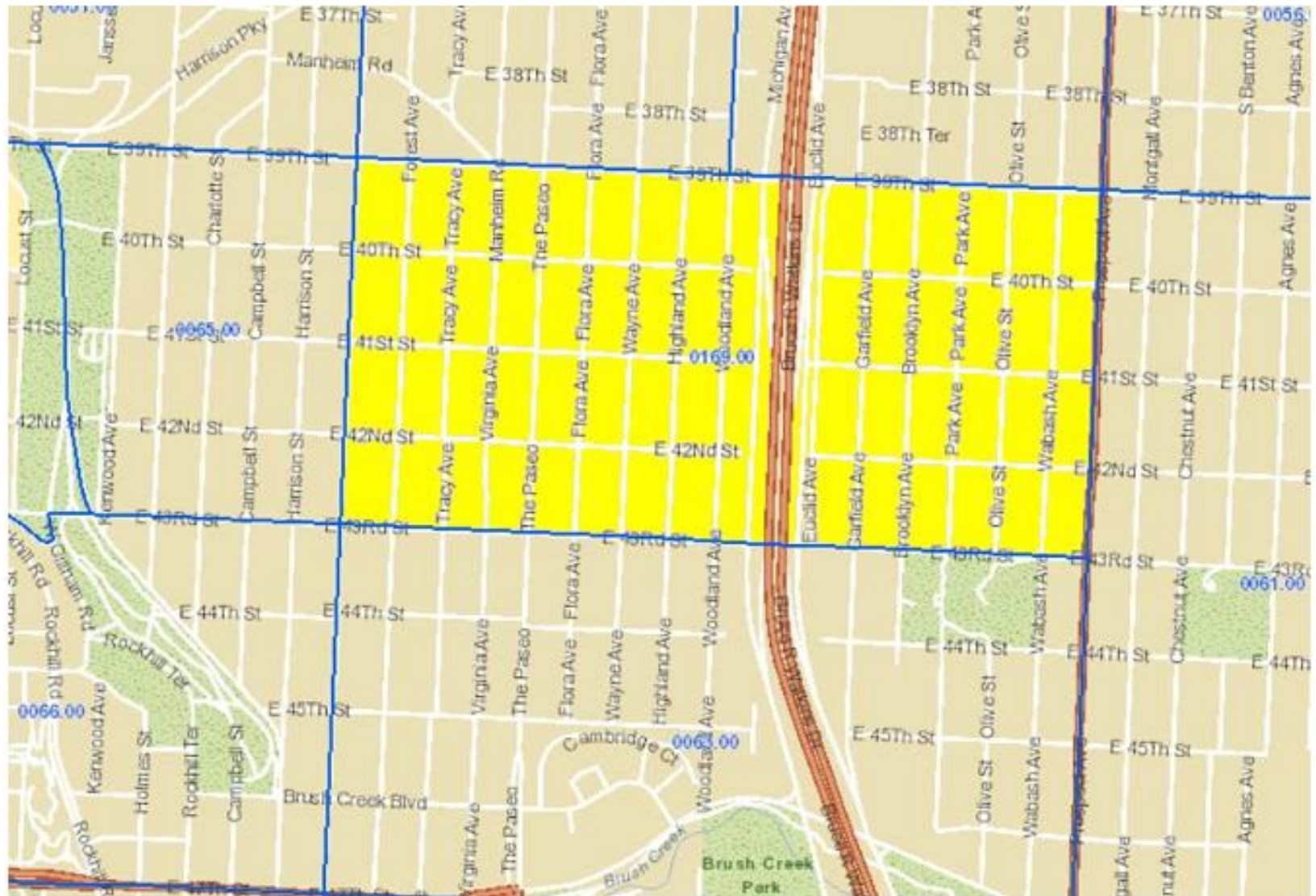
Please use the website www.ffiec.gov to locate census tract numbers.

2013 Federally Targeted Census Tracts are:

COUNTY	CENSUS TRACT NUMBER
Adair	9503
Benton	4604
Boone	0005, 0009, 0021 & 0022
Buchanan	0012
Butler	9507
Cape Girardeau	8814 & 8816
Cole	0207
Dunklin	3601 & 3606
Greene	0001, 0002, 0005.01, 0005.02, 0006, 0008, 0013.02, 0017, 0018, 0031, 0032, 0036, 0055 & 0056
Iron	9504
Jackson	0003, 0006, 0010, 0018, 0019, 0020, 0021, 0034, 0037, 0038, 0052, 0054, 0055, 0056.02, 0058.01, 0060, 0061, 0063, 0075, 0079, 0089, 0095, 0096, 0097, 0102.01, 0114.05, 0134.10, 0154, 0156, 0160, 0161, 0162, 0163, 0164, 0166, 0169
Jasper	0108 & 0110
Livingston	4805
Oregon	4803
Pemiscot	4702 & 4704
Pettis	4809
Pulaski	4703.90
Randolph	4903
Ripley	8701 & 8702
Scott	7812
St. Charles	3105.01
St. Louis City	1015, 1053, 1054, 1061, 1062, 1063, 1064, 1065, 1066, 1076, 1083, 1096, 1097, 1101, 1105, 1111, 1112, 1113, 1114, 1115, 1123, 1152, 1157, 1163.02, 1164, 1184, 1193, 1202, 1211, 1212, 1242, 1246, 1257, 1266, 1267, 1274 & 1275
St. Louis County	2119, 2120.02, 2121.01, 2121.02, 2136, 2139 & 2218
Vernon	9504

2013 FEDERALLY TARGETED CENSUS TRACTS

Jackson County – Kansas City: 0169



ESCROWING FOR REPAIRS



MHDC documents state that all funds that have been dispersed-escrows should be used rarely, if at all.



Any item escrowed for must be **weather** related.



MHDC will require two bids and the title company must escrow two times the highest bid. This will not apply on foreclosed homes.



For new construction, MHDC requires the title company to escrow one and a half times the amount.

A Closer Look At Recapture Tax

- What is Recapture tax?
- Why is there a Recapture tax?
- How is it calculated?
- Should my buyer be concerned?



WHAT IS RECAPTURE TAX

- If a homebuyer sells his or her home in the first nine years of ownership AND
- If they make a profit AND
- If income is over maximum, additional tax may be owed.



For Non-Targeted Properties		Columbia MSA		Jefferson City MSA		Kansas City MSA		St. Louis MSA		Missouri, all other areas	
		Counties: Boone		Counties: Cole Osage		Counties: Caldwell Cass Clay Clinton Jackson Lafayette Platte Ray		Counties: Franklin Jefferson Lincoln St. Charles St. Louis City St. Louis County Warren		Counties <u>not</u> located within the Columbia, Jefferson City, Kansas City or St. Louis MSA as noted to the left.	
		Adjusted Qualifying Income Number of Family Members Living in Your Home at the Time of Sale		Adjusted Qualifying Income Number of Family Members Living in Your Home at the Time of Sale		Adjusted Qualifying Income Number of Family Members Living in Your Home at the Time of Sale		Adjusted Qualifying Income Number of Family Members Living in Your Home at the Time of Sale		Adjusted Qualifying Income Number of Family Members Living in Your Home at the Time of Sale	
Date That You Sell Your Home (Closing being the date of your loan)	Holding Period %	2 or Less	3 or more	2 or Less	3 or more	2 or Less	3 or more	2 or Less	3 or more	2 or Less	3 or more
Before the first anniversary of closing (See note below)	20%	88,000	101,200	82,700	95,105	96,800	111,320	94,900	109,135	80,900	93,035
On or after the first anniversary of closing, but before the second anniversary of closing	40%	92,400	106,260	86,835	99,860	101,640	116,886	99,645	114,591	84,945	97,686
On or after the second anniversary of closing, but before the third anniversary of closing	60%	97,020	111,573	91,176	104,853	106,722	122,730	104,627	120,320	89,192	102,570
On or after the third anniversary of closing, but before the fourth anniversary of closing	80%	101,871	117,151	95,734	110,095	112,058	128,866	109,858	126,336	93,651	107,698
On or after the fourth anniversary of closing, but before the fifth anniversary of closing	100%	106,964	123,008	100,520	115,599	117,660	135,309	115,350	132,652	98,333	113,082
On or after the fifth anniversary of closing, but before the sixth anniversary of closing	80%	112,312	129,158	105,546	121,378	123,543	142,074	121,117	139,284	103,249	118,736
On or after the sixth anniversary of closing, but before the seventh anniversary of closing	60%	117,927	135,615	110,823	127,446	129,720	149,177	127,172	146,248	108,411	124,672
On or after the seventh anniversary of closing, but before the eighth anniversary of closing	40%	123,823	142,395	116,364	133,818	136,206	156,635	133,530	153,560	113,831	130,905
On or after the eighth anniversary of closing, but before the ninth anniversary of closing	20%	130,014	149,514	122,182	140,508	143,016	164,466	140,206	161,238	119,522	137,450

The undersigned Mortgagor(s) hereby acknowledge receipt of this Notice:

Borrower: _____
Date

Co-Borrower: _____
Date



Questions?

Co-signer/Co-borrower

Cosigners are allowed

Co-signer income is not included in household income if they do not occupy property

Co-borrower income is included if they occupy the property

Some lenders do not allow co-signers

NON-U.S. CITIZENS

- Each applicant, along with their spouses, must be a U.S. citizen or a lawful resident alien.
- Borrowers must occupy the property as their principal residence.
- Borrowers must be eligible to work in the U.S.
- Borrowers and their spouses must have a social security number.

PERSONS WHO ARE SEPARATED

- Any applicant who is separated is still considered a married person.
- **If the applicant and their spouse have been separated for more than 6 months, then each must sign the MHDC Marital Waiver Affidavits, (Form #550-1 and #550-2) stating they will not be residing together.**
- If an applicant who is currently separated from their spouse owned a home with that spouse within the last three years, the applicant may **not** use First Place or MCC financing.

When Are MHDC Funds Available?



MCC Program



Targeted Areas



First Place (with or without CAL)



Next Step Program

- From date of issue until full subscribed
- Always available (and will get the best rate in the last 12 months)
- Always available
- Always available

Summary of Programs

First Place

- Must be FTHB
- Lower Income/Purchase Price Limit
- Recapture Tax
- Affidavits
- 1% Origination fee
- CAL funds 10 year forgivable

MCC

- Must be a FTHB
- Lower Income/Purchase Price Limits
- Recapture Tax
- Affidavits
- 1% MCC Fee

Next Step

- Does Not have to be a FTHB
- Higher Income/Purchase Price Limits
- No Recapture Tax
- No Affidavits
- 1% Origination Fee
- CAL 10 Year Forgivable

Similarities of the Programs

Income is calculated the same way
for all three programs

FTHB rules are the same for all
three programs. Next Step does
not require the borrower to be a
FTHB

No properties in the 100-year
flood plain for all three programs

BREAK TIME

10-minute break



STATE of KANSAS Programs



Kansas Housing Assistance Program (KHAP)



Program areas

Sedgwick County

Shawnee County



Only access to the program is through a participating Lender



Master Servicer is US Bank

KHAP Program

- Borrower receives a 30-year, fixed rate mortgage
- Interest Rates can change daily
- Allowable loan products

FHA

USDA/RD

VA

Freddie Mac HFA Advantage Conventional Loan

- Conventional Loans with income below 80% AMI will get reduced MI coverage

KHAP Program

Down Payment Assistance Grant is calculated on the Note amount

The assistance can be used for down payment or closing cost

There is no 2nd mortgage because the assistance is in the form of a grant not a loan

Program has constant funding

KHAP Program

Borrowers Eligibility



Borrowers do not have to be a first-time buyer



Non-occupant borrower/co-signers are not permitted



Buyers must live in the property as their primary residence



Buyers must occupy the property within 60 days of closing



Homebuyer Education not required (except for conventional loans)

KHAP Program

Borrowers Eligibility



Minimum FICO Score is 640



DTI maximum is 45% for FHA loans with a credit score between 640 - 680



Credit scores higher than 680 the maximum DTI is 50%.

KHAP Program

AREA	FHA, VA, USDA/RD, Freddie MAC Above 80% AMI
Kansas City MSA (Leavenworth, Johnson, Linn, Miami & Wyandotte)	\$143,500
Lawrence MSA (Douglas)	\$132,440
Ellis County	\$128,380
Nemaha County	\$129,500
Wallace County	\$130,480
All Other Areas	\$128,380

KHAP Program

Property Requirements

- New or Existing
- Homes are considered new if never been occupied
- Single Family Detached
- Condo (Conv. Loans must be approved by US Bank and Freddie Mac)
- Town Homes/PUDs
- Duplexes (Govt. Loans Only)

KHAP Program

Manufactured Homes

- Govt. Loans only
- Doublewides permanently affixed to the property
- Borrower(s) must have a minimum credit score of 680
- Maximum DTI of 45%
- No Manual underwrites
- Lenders must follow FHA, VA, RD & US Bank guidelines

KHAP Program

Purchase Price Limits

\$484,350

KHAP Program

Appraisal must indicate that the home has at least a 30 year remaining useful life.

Buy downs are not permitted

Cash Back to the borrower is not permitted

Cosigners are permitted

No minimum loan amount

Manual underwriting only permitted for conventional loans under certain circumstances

Prepayment – The first mortgage may be prepaid at any time without penalty

KHAP Program

- Loans cannot be registered until there is a fully executed sales contract
- Lenders will reserve the funds eHousingPlus Portal
- If the borrower changes properties a new reservation must be obtained
- Prior to closing the underwriter must complete the online UW certification within the portal
- Lenders will front the down payment assistance at the closing

KHAP Program



Reservations



The Underwriter certification needs to be done within 25 days after reservation



The loan must be purchased by the servicer within 70 days of the reservation date



A one-time 30-day extension is allowed at a cost of \$375



If the rate expires and an extension was not given the borrower will have to wait 60 days after expiration in order to reserve a new loan

Kansas City MO Program through Habitat for Humanity

The program will be geographically restricted to the Wendell Phillips and Key Coalition neighborhoods in Kansas City

The program provides \$15,000 in down payment assistance for eligible homebuyers

Program funds can only be used for down payment not for closing costs

The program funds will be disbursed at closing. The funds will be in form of a mortgage at 0% interest and forgiven after 5 years and is prorated equally over those 5 years

Kansas City MO Program through Habitat for Humanity

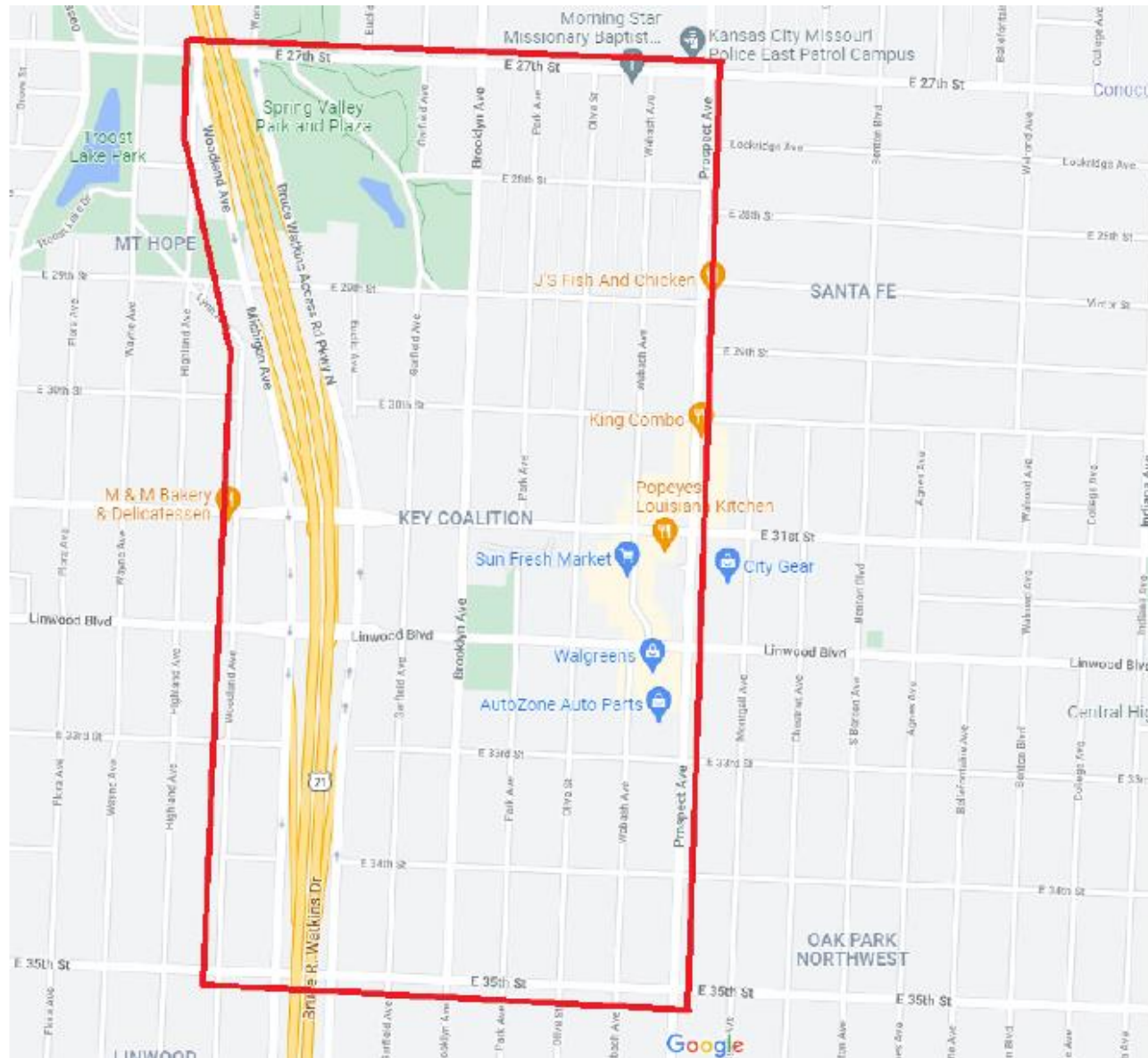
The homebuyer must meet the following requirements:

1. Borrower(s) income, adjusted for household size cannot exceed the income limits for the program
2. Complete an (8) hour Homebuyer Education Course in the last 12 months
3. Purchase a home in the qualified neighborhood
4. Maintain the home as their primary residence for the 5-year period
5. Obtain a first mortgage from a lender that approves the term of the grant
6. Applicants must be a US Citizen or permanent resident
7. Applicants must be a first-time homebuyer

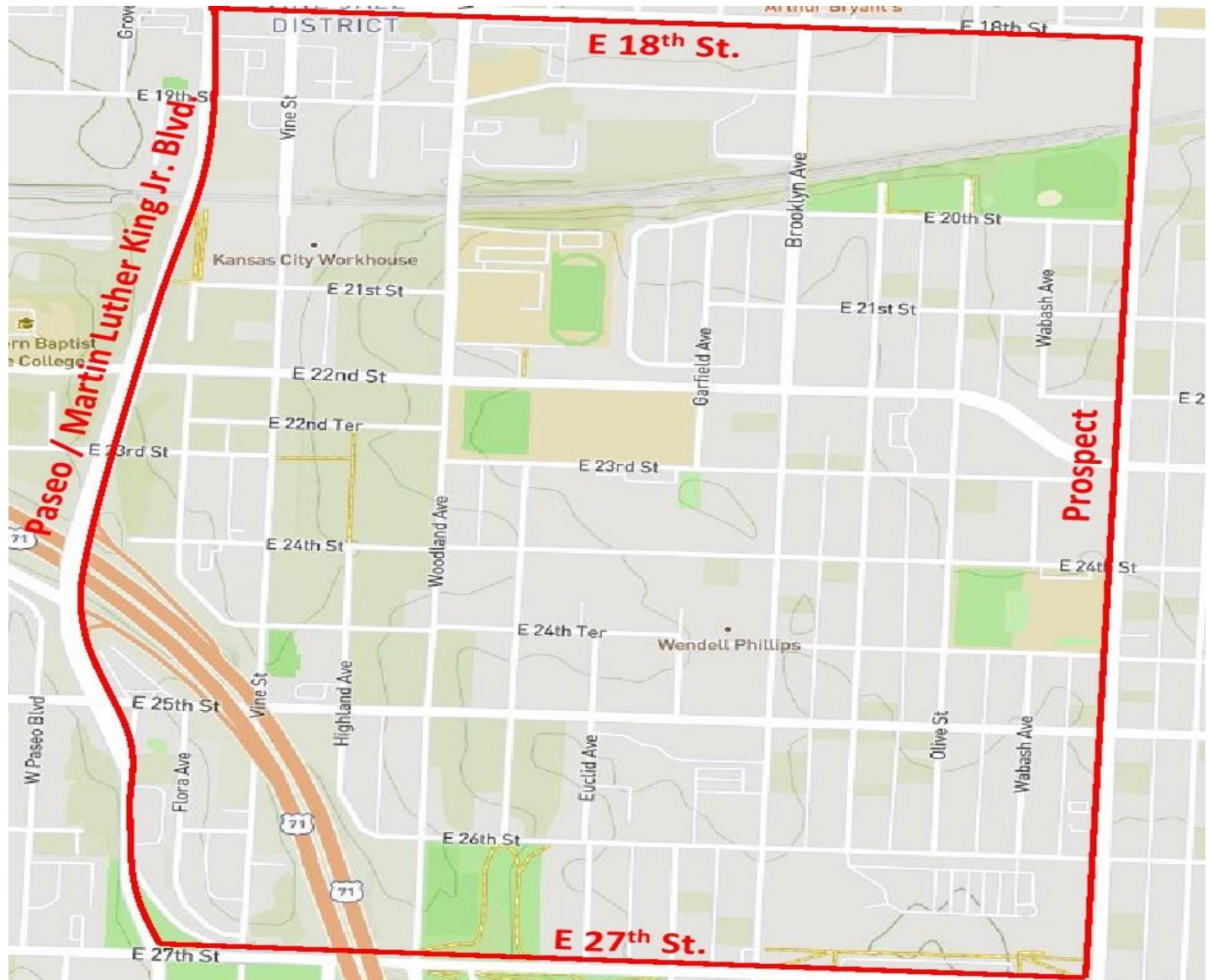
Kansas City MO Program through Habitat for Humanity

2023 Income Limits	
HouseholdSize	Maximum Household Income
1	\$57,400
2	\$65,600
3	\$73,800
4	\$82,000
5	\$88,600
6	\$95,150
7	\$101,700
8	\$108,250

Key Coalition Area



Wendell Phillips Area



City of Lee's Summit Program

- The city of Lee's Summit will provide the qualified borrower up to **\$3,000** of down payment assistance
- Borrower(s) must be first-time homebuyers, or a single parent or displaced homemaker
- Borrower(s) household income must be below 80% of the area median income (AMI)
- The assistance will be in a form of a 3-year forgivable loan
- The home must be located in the corporate city limits of Lee's Summit
- The property being purchased cannot have been occupied by a tenant at any time within the past 90 days of loan closing

City of Lee's Summit Program

First-Time Homebuyer

An individual that has not had a present ownership interest in the primary residence within the last 3 years

Single Parent

An individual who:

- Is unmarried or legally separated from a spouse; and
- Has one or more minor children for whom the individual has custody or joint custody; or
- Is pregnant

Displaced Homemaker

Is an adult who has not worked full-time in the labor force for a number of years but has during such years, worked primarily without remuneration to care for the home and family

Is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment

City of Lee's Summit Program

- The city of Lee's Summit must be provided with the seller disclosure of information on Lead-Based Paint
- The house must pass an initial lead paint hazard inspection by the city if the home was built prior to 1978
- If lead hazards are present, they must be abated in full compliance with EPA's regulations followed by another inspection prior to closing

City of Blue Springs Program

- The city of Blue Springs will provide the qualified borrower up to **\$3,000** of down payment assistance
- Borrower(s) must be first-time homebuyers
- Borrower(s) household income must be below 80% of the area median income (AMI)
- The home must be within the corporate limits of Blue Springs
- The home has to be the borrower(s) primary residence
- Borrower(s) must be first-time homebuyers or a single parent or displaced homemaker

City of Blue Springs Program

First-Time Homebuyer

An individual that has not had a present ownership interest in the primary residence within the last 3 years

Single Parent

An individual who:

- Is unmarried or legally separated from a spouse; and
- Has one or more minor children for whom the individual has custody or joint custody; or
- Is pregnant

Displaced Homemaker

Is an adult who has not worked full-time in the labor force for a number of years but has during such years, worked primarily without remuneration to care for the home and family

Is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment

City of Blue Springs Program

- The borrower(s) have 3 months from the time of application submittal to the closing.
- If closing does not occur during that 3 month period the borrower(s) forfeits the reservation of funds.
- The approval process will take a minimum of 3 weeks after the paperwork is accepted by the city
- House may not be in a 100-year flood plain
- The property being purchased cannot have been occupied by a tenant at any time within the past 90 days of loan closing

City of Blue Springs Program

- The city of Blue Springs must be provided with the seller disclosure of information on Lead-Based Paint for any home built before 1978
- The seller must allow the buyer 10 days to inspect the dwelling for lead-based paint or lead-based paint hazards
- The city is required to provide the buyer with the lead hazard information pamphlet
- There will be a 3-year lien placed on the property

Income Limits for both Lee's Summit and Blue Springs Program

Number of Persons in Household	Maximum Income
1	\$54,250
2	\$62,000
3	\$69,750
4	\$77,450
5	\$83,650
6	\$89,850
7	\$96,050
8	\$102,250

City of Leavenworth Program

The city of Leavenworth Program provides up to **\$8,000** in grant funds for first-time buyers

The property must be within the city limits of Leavenworth

The borrower(s) is required to pay half of the required mortgage down payment

The home must pass the City's Housing Quality Standards inspection

The assistance will be in the form of a 5-year forgivable mortgage

City of Leavenworth Program

Borrower(s) shall not have owned a home for **5** years prior to purchase

Persons or families who have received CDBG or HOME [including first time homebuyer] grants or loans on or after January 1, 1984 are not eligible.

Preference will be given to applicants approved for fixed-rate loans who currently live in the Leavenworth city limits.

No assistance will be given to applicants purchasing a home in the 100-year Flood Plain.

The home may not be a foreclosure sale or in a state of disrepair.

City of Leavenworth Program

The property being purchased cannot have been occupied by a tenant at any time within the past 90 days of loan closing

If purchasing a For Sale by Owner (FSBO) property, the applicant must obtain the services of a licensed buyers' agent

If the Property is a mobile home or a structure not attached to a permanent foundation it is not eligible.

Home must be valued at \$168,000 or less.

The assistance will not exceed \$5,000 for moderate income borrower(s) and no more than \$8,000 for low income borrower(s)

Income Limits for Leavenworth Program

Number of Persons in Household	Low Income	Moderate Income
1	\$35,900	\$57,400
2	\$41,000	\$65,600
3	\$46,150	\$73,800
4	\$51,250	\$82,000
5	\$55,350	\$88,600
6	\$59,450	\$95,150
7	\$63,550	\$101,700
8	\$67,650	\$108,250

City of Leavenworth Program

The grant funds must be used to assist in the down payment, provide principal buy-down, pay closing costs, interest rate buy-down or a combination of the above

In no case can the program be used to provide money directly to the buyer

Borrower(s) must present proof of completion of required Housing Buyer Education

QUESTIONS???



Leslie Lowry
Fairway Mortgage
816-816-5600

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Thank You – I hope you enjoyed the class!