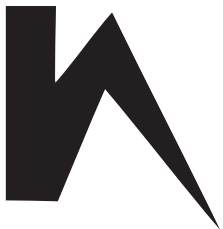




# MOVINGtoWORK

HOMEOWNERSHIP PROGRAM | PLAN and PROCEDURES



Amended September 24, 2020

# **MOVING to WORK (MTW) HOMEOWNERSHIP PROGRAM PLAN and PROCEDURES**

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# **MOVING to WORK (MTW) HOMEOWNERSHIP PROGRAM PLAN and PROCEDURES**

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## **DEFINITIONS**

As used herein, the following terms not otherwise defined herein shall have the following meanings:

- 1) “Buyer” shall mean a Homeownership Program participant who has obtained a mortgage pre-approval letter from a lender.
- 2) “Buyer’s annual recertification date” shall mean the date the buyer obtains a lender’s mortgage pre-approval.
- 3) “Buyer’s List” shall mean the list signed by two or more eligible buyers who are interested in purchasing the same HACP owned property.
- 4) “First-time homeowner” shall mean that no family member of the household owned any present ownership interest in a residence of any family member during the three years preceding commencement of homeownership assistance.
- 5) “Gross Aid Standard” means the standard utilized to determine the supplement to the income of a low income household to enable the buyer to purchase standard quality housing in the private marketplace.
- 6) “Qualified Mortgage” shall be insured by FHA, Guaranteed by VA, or funded by Fannie Mae, Freddie Mac, or other governmental entity, state or local housing finance agency, nonprofit organization, or a regional Federal Home Loan Bank under one of its affordable housing programs.
- 7) “Soft-second mortgage Calculation” shall mean the calculation used to estimate a non-paying interest free second mortgage loan offered to eligible public housing Program participants. The amount of the soft-second mortgage is reduced 10 percent (10%) a year over a ten-year period.
- 8) “Homeownership Expense Payment” consists of the principal, interest, taxes, and insurance (PITI) associated with first mortgage debt along with the corresponding monthly utility allowance for unit size, maintenance expense, and major repairs in accordance with 24 CFR 982.635 C2.
- 9) “Total Family Payment” or “TFP” means that portion of the homeownership expense that the family must pay. It is generally thirty percent (30%) of the family's adjusted income, plus any difference between the payment standard and the actual housing cost.
- 10) “Subordination” prioritizes collateralized debts, ranking one behind another for purposes of collecting repayment from a debtor

## **I. INTRODUCTION**

The Housing Authority of the City of Pittsburgh (HACP) operates a Moving To Work (MTW) Homeownership Program (the "Program") for current Low-Income Public Housing (LIPH) residents, Housing Choice Voucher (HCV) holders, or those eligible to receive LIPH and/or HCV assistance who desire to purchase their first home and primary residence within the City of Pittsburgh. In addition to other benefits, the HACP will offer a deferred payment Soft Second Mortgage based upon a payment calculation as defined in Section VIII. part C. Eligible participants will be placed on the HACP Homeownership Waiting List for home purchase based on the date of their mortgage pre-approval letter from an approved lender.

## **II. PURPOSE**

The specific objectives of the Program are:

- Expanding homeownership opportunities for low-income families and families having members with disabilities.
- Providing an opportunity for first-time low income homebuyers to purchase a single- family home within the City of Pittsburgh.
- Encouraging HACP families to acquire appreciable assets, and move toward the goal of economic self-sufficiency and eventual independence from government assistance programs.

## **III. OUTREACH**

Outreach will be conducted by the HACP's Homeownership Office to encourage participation in the Program. Informational flyers and brochures as well as the web site <http://www.hacp.org/housing-options/home-ownership> have been developed to target those persons interested in participating in the Program. The Program will also be promoted by the Resident Self-Sufficiency (RSS) Department through its newsletters and referrals by Service Coordinators. The HACP will also highlight the program periodically in other agency publications such as the "News and Views".

## **IV. APPLICATION AND ENROLLMENT**

Interested persons may apply to participate in the Program by contacting a Department of Housing and Urban Development (HUD)-approved housing counseling agency to enroll in the required homeownership education class. Participants will receive initial assessments of their credit rating provided by the HUD-approved education and credit counseling service provider.

The HACP will consider the participant enrolled in the Program on the date the participant completes the required homebuyer education class and satisfies the HACP eligibility requirements as outlined in Section V. The HUD approved education provider shall issue a certificate of satisfactory completion to each participant and maintain a copy of the certificate on file. The HACP will consider the participant a "buyer" when the participant obtains a loan pre-approval letter.

## **V. ELIGIBILITY**

Program participants must meet one of the following four (4) criteria:

- be a current Low-Income Public Housing (LIPH) resident;
- be a Housing Choice Voucher (HCV) resident;
- be a person who is on the HACP waitlist for LIPH or HCV who has received an eligibility letter from HACP's Occupancy Department for the HCV or LIPH Program;
- In the event that either waitlist is closed, a non-resident must be otherwise eligible to receive HCV or LIPH assistance as determined by HACP's Occupancy Department in order to participate in the Program. Non-residents must receive an eligibility letter from HACP's Occupancy Department for Homeownership Purposes only. An appointment will be arranged for non-residents with the HACP's Occupancy department after their participation in homeownership counseling and first mortgage pre-approval have been verified (see Section VII. below).

The following additional eligibility requirements for participation in the Program shall also apply:

### **A. FIRST-TIME HOMEOWNER:**

Each LIPH and HCV waiting list or otherwise eligible family must be a first-time homebuyer. A first-time homeowner means that no family member of the household owned any present ownership interest in a residence of any family member during the three (3) years preceding commencement of homeownership assistance. However, a single parent or displaced homemaker who, while married, owned a home with his/her spouse (or resided in a home owned by a spouse) is considered a "first-time homeowner" for purposes of the Program.

If the HACP determines that a family member with a disability requires homeownership assistance as a reasonable accommodation, the first-time homeowner requirement may not apply.

### **B. MINIMUM INCOME REQUIREMENTS:**

At the time the family obtains a mortgage pre-approval letter, the head of household, spouse, and/or other adult household members who will purchase the home must have a minimum gross annual income of \$17,000 per year.

A family whose head, spouse or sole member is a person with a disability may be exempt from the minimum income requirement provided there exists a sufficient combination of monthly household income and initial down payment money to satisfy the lending institution's pre-approval requirements for the purchase of the property and all other applicable HACP requirements relating to eligibility are met.

**C. WELFARE ASSISTANCE:**

Welfare assistance income shall be included only for those adult elderly or families with members having disabilities who will own the home. Stated otherwise, with the exception of elderly and families with members having disabilities, the HACP will disregard any "welfare assistance" income in determining whether the family meets the minimum income requirement. Welfare assistance includes assistance from Temporary Assistance for Needy Families (TANF); Supplemental Security Income (SSI) that is subject to an income eligibility test; food stamps; general assistance; or other welfare assistance defined by HUD. The disregard of welfare assistance income shall affect the determination of minimum monthly income in determining eligibility for the Program.

**D. EMPLOYMENT REQUIREMENT:**

With the exception of families having members with disabilities and elderly households, each family must demonstrate that one or more adult members of the family who will own the home at commencement of homeownership assistance is employed full-time (an average of thirty (30) hours per week). Families with one (1) or more members who are self-employed shall be eligible under this section if they meet all other requirements as stated herein.

The HACP will also consider an interruption of employment of no more than one (1) month during the prior one (1) year as meeting the definition of "full time employment" if the employed family member has been continuously employed for a period of at least one (1) year prior to the interruption and is currently employed at the time of the execution of the sales agreement.

**E. PRIOR MORTGAGE DEFAULT:**

The HACP will not approve a homeownership sales agreement where the head of household, the head of household's spouse or other adult member of the family defaulted on a mortgage loan within the previous three (3) years. Such actions will render the family ineligible to participate in the Program.

**F. PHA DEBTS:**

Prospective participants in the Program shall be ineligible for participation in the Program if they owe any debt or portion of a debt to the HACP or any other PHA (Public Housing Authority). Except as provided in HACP's Admissions and Continued Occupancy (ACOP) Policy and HCV Program Administrative (Admin) Plan, nothing in this provision will preclude participants who have fully repaid such debt(s) from participating in the Program.

**G. OWNERSHIP INTEREST:**

Except for cooperative members who have acquired cooperative membership shares at the commencement of homeownership assistance, no family member may have a present ownership interest in a residence at the commencement of participation in the homeownership

program. This requirement does not apply to the family's right to purchase title to the residence under a lease-purchase agreement. "Present ownership interest" means that no member of the household has had an "interest in a home", including title to a home in the past three (3) years.

#### **H. ELIGIBLE PROPERTIES:**

Eligible properties shall include residentially zoned single family homes, row homes, condominiums and townhomes within the City of Pittsburgh. Multifamily or non-residential properties are ineligible. The HACP may sell existing scattered sites as identified on Exhibit A attached hereto to buyers within the Program. In the event a HACP scattered sites property is not sold through the Program, the property may be reoccupied for lease.

#### **I. BUYER'S ANNUAL RECERTIFICATION DATE:**

The date the buyer obtains a lender's mortgage pre-approval letter shall be the program participant's annual recertification date for purposes of calculating homeownership assistance amounts. The annual recertification date will be used to calculate the HACP's assistance benefits and/or soft-second mortgage amount. The lender or the HACP shall verify the buyer's income and employment status during the mortgage pre-approval process and the lender shall provide buyer's income and employment status to the HACP upon request. If a buyer's income increases or declines subsequent to a lender issuing a mortgage pre-approval letter, the HACP at its discretion may require recalculation of assistance amounts.

### **VI. PRE-HOMEOWNERSHIP ASSISTANCE REQUIREMENTS**

#### **A. HOMEOWNERSHIP COUNSELING:**

Before a family is eligible for homeownership, the family must attend and successfully complete a pre-assistance HUD approved homeownership and housing counseling program. Such homeownership and housing counseling program will be provided or approved by the HACP prior to the commencement of assistance and will include instruction relating to home maintenance; budgeting and money management; credit counseling; negotiating purchase price; securing mortgage financing and loan approvals; finding a home including information about schools and transportation; fair housing laws and local enforcement agencies; the advantages of purchasing and locating homes in areas that do not have a high concentration of low-income families; and the Real Estate Settlement Procedures Act; state and Federal truth-in-lending law; and how to avoid loans with oppressive terms and conditions.

#### **B. FIRST MORTGAGE PRE-APPROVAL:**

Upon completion of the Homeownership Counseling Program, the participant is to complete a mortgage pre-approval application to determine if they qualify for a first mortgage. Participant



is to provide the HACP with a first mortgage pre-approval letter and closing cost estimate which will detail the cost associated with obtaining the mortgage. The HACP requires tenant buyers to request a mortgage pre-approval letter and closing cost estimate that reflects the highest amount of first mortgage they are eligible to receive.

**C. HOME PURCHASE AND SALES AGREEMENT:**

Participants in the Program will be required to locate and purchase a home or execute a contract of sale or lease purchase a home, within the limits of the City of Pittsburgh. “Homeownership eligibility” begins on the date when the buyer has obtained a mortgage pre-approval letter and completed the approved homebuyer education class. It is the responsibility of the buyer to notify and discuss the sales transaction with the HACP prior to the buyer signing an agreement of sale to remain eligible for Homeownership Program benefits.

**D. HOME INSPECTION:**

The buyer shall select and pay for an independent professional inspection in accordance with the sales agreement. Such independent inspectors must be qualified by the American Society of Home Inspectors (ASHI) or possess equivalent credentials acceptable to the HACP. The independent inspectors must furnish a copy of the inspection results to both the buyer and the HACP. The HACP must review the independent inspector’s report and determine whether to go forward or terminate the sales agreement based upon its review.

A contingency clause in the sales agreement must provide that the buyer is not obligated to pay for any necessary repairs. The buyer is prohibited from directly making repairs at their own expense prior to closing. HACP, in its sole discretion, may advise buyers to request the seller to cure essential deficiencies found in the inspection report. If an agreement cannot be reached between the buyer and seller, the HACP may then advise the buyer to terminate the sales agreement. If the Seller is the HACP, then the HACP, in its sole discretion, may pay for any deficiencies found in the inspection report or the HACP may terminate the sales agreement. Similarly, the buyer has the right to cancel the sales agreement without penalty if the HACP is unwilling to make all necessary repairs cited in the inspection.

**VII. FINANCING REQUIREMENTS**

**A. GENERAL:**

The HACP may not require participants to use a certain lender or a certain type of financing. However, financing for purchases under this Program must generally comply with secondary mortgage market requirements. The HACP will only approve a fixed interest rate “Qualified Mortgage” provided by a lender. A Qualified Mortgage shall be insured by FHA, Guaranteed by VA, or funded by Fannie Mae, Freddie Mac, or other governmental entity, state or local housing finance agency, nonprofit organization, or a regional Federal Home Loan Bank under one of its affordable housing programs. The HACP will not approve any lending practices that it determines, in its reasonable discretion, to be abusive or predatory including loans offered at a rate above Prime to individuals who do not qualify for Prime Rate loans, i.e., subprime loans.

Seller financing will be on a case-by-case basis, including instances where the HACP or nonprofit organization is the seller. It is the goal of the Program for participants to utilize all other assistance for which they are eligible prior to receiving assistance from this Program.

If the HACP is the seller, then the Program may provide for below-market purchase prices or below-market financing to facilitate below-market purchases. Discounted purchase prices may be determined on a unit-by-unit basis, based on the particular buyer's ability to pay, or may be determined by any other fair and reasonable method. Below-market financing may include any type of public or private financing, including but not limited to purchase-money mortgages, non-cash second mortgages, promissory notes, guarantees of mortgage loan from other lenders, shared equity, land installment contract or lease-purchase arrangements.

**B. FINANCING TERMS:**

The proposed loan terms must be submitted to and approved by the HACP and the HACP will determine, in its sole discretion, the affordability of the family's proposed loan terms and whether they are appropriate in view of current market conditions. Participants are required to provide the HACP with a copy of their loan application also known as the Uniform Residential Loan Application (URLA)/ Fannie Mae form 1003 so that this determination can be made. If a mortgage is not funded by Fannie Mae or Freddie Mac or FHA-insured, or VA-guaranteed, the HACP may require lenders to comply with generally accepted mortgage underwriting standards consistent with HUD/FHA, Fannie Mae, Freddie Mac, RHS, or the Federal Home Loan Bank requirements. Seller financing will be reviewed on a case-by-case basis.

**C. DETERMINING AFFORDABILITY: BUYER'S MONTHLY HOMEOWNERSHIP EXPENSE:**

The HACP will determine, in its sole discretion, the affordability of the family's proposed loan terms and whether they are appropriate in view of current market conditions. In making such determination, HACP may take into account other family expenses, including but not limited to child care, unreimbursed medical expenses, and education and training expenses. The monthly expenses of Program Participants and those who are listed on the lender's mortgage application should not exceed a total estimated housing expenses debt ratio of thirty-five percent (35%) of the combined gross monthly income of adult members of the household. The housing debt expense should include mortgage principal, mortgage interest, property taxes, homeowner's insurance condominium or association fees, monthly capital improvement expense (\$20 per month), monthly maintenance expense (\$20 per month), and a monthly utilities estimate obtained from the most recent HACP Program utility allowance schedule for the appropriate unit type.

**D. DOWN PAYMENT:**

Buyers must contribute from their own funds at least one percent (1%) of the net sales price of either a HACP owned property or a private market property. The family may use an Individual Development Account (IDA) or Family Self-Sufficiency (FSS) escrow account for their down payment. LIPH program participants who established homeownership "lease- purchase"

accounts prior to January 1, 2007, may utilize these accounts for their down payment.

**E. REFINANCING:**

No buyer while receiving HACP second mortgage assistance may refinance their mortgage(s) or incur additional debt secured by the home without the prior written approval of HACP. Upon a written request, the HACP should consider the subordination of its mortgage(s) on a case-by-case basis. Refinancing proposals must not seriously impact the affordability of the property or security of the public investment. Refinance subordination reviews will be of the following criteria.

1. The participants must document an identified reasonable need to lower monthly payments/interest rate, change the mortgage product. The borrower can only receive “cash-out” for home improvement loans, emergency non-insured property damage, or non-insured medical expenses. Any other “cash-out” requests, including but not limited to, bill consolidation loans, line of credit, future advance, personal loans, medical collections, other mortgages or encumbrances or liens will not be considered.

2. The participant must continue to occupy the home as their primary residence until the term of the HACP mortgage expires and a mortgage satisfaction is granted.

3. Property taxes on the subject property or any other property must not be delinquent.

4. In any case, the HACP will only subordinate once during the term of the loan and only to a second position unless HACP’s position was 3rd position at the commencement of the HACP loan.

**VIII. ASSISTANCE COMPONENTS**

**A. ASSISTANCE COMPONENTS AVAILABLE TO ALL QUALIFYING PROGRAM PARTICIPANTS:**

**1. HOME WARRANTY AND CLOSING COST ASSISTANCE**

The maximum amount of financial assistance is \$8,000 for home warranty, and closing costs assistance.

The HACP may approve the prepayment of a home warranty for a property prior to closing. It is the responsibility of the tenant/buyer to provide the HACP with a written quotation from the vendor for these services prior to closing. Subject to budgetary constraints, the HACP may pay closing costs one time per buyer and if a buyer fails to close on their sales agreement, buyer is not eligible to receiving additional closing costs assistance for a new sales agreement for one (1) year.

## **2. FORECLOSURE PREVENTION FUND:**

The maximum amount of financial assistance is \$3,000 for foreclosure prevention.

In the event a buyer defaults on their mortgage and receives notice of default by their lender within five (5) years of their closing date, they receive up to six (6) months of HACP mortgage assistance if they apply for and comply with all requirements of the Pennsylvania Homeowners' Emergency Mortgage Assistance Program (HEMAP). As a Program safeguard, if in the event 10% or more of program buyers default upon their mortgage(s), Section VII C will be amended to decrease the maximum buyer debt ratio for new buyers to thirty-percent (30%) of gross monthly income.

## **3. SOFT SECOND DEFERRED PAYMENT FORGIVABLE MORTGAGE:**

The maximum forgivable deferred payment soft-second mortgage is \$ 52,000.

Subject to budgetary constraints, the HACP may provide a forgivable soft-second mortgage financing to eligible participants. Such financing shall be secured in most cases by a second mortgage (the "Second Mortgage"). However, in some cases, the HACP mortgage will be recorded as a third mortgage subordinate to mortgages securing bank and other government financing provided, for example, by the Urban Redevelopment Authority (URA) of Pittsburgh.

The HACP will subordinate to both the 1st mortgage lender and Pittsburgh's Urban Redevelopment Authority in the event that a participant qualifies to receive an additional deferred soft second mortgages from the URA. If the participant is eligible to receive additional, second deferred payment mortgages not provided by the first mortgage Lender or the HACP they must utilize the full amount of the additional mortgage prior to utilizing HACP's.

The HACPs forgivable soft second mortgage in no case shall exceed \$52,000. The forgivable second mortgage is forgiven on a prorated basis over a ten-year period. In the event a first or second mortgage does not exist, the HACP's mortgage will be recorded as a first mortgage.

This means in the event a participant qualifies for a deferred payment soft second mortgage the HACP may exercise the authority to require the participant to reduce the 1st mortgage amount accepted from the bank by an amount specified by the HACP in order to achieve a lower Homeownership Expense Payment. The HACP may also provide a soft mortgage to increase the buyers purchase capacity as appropriate in view of current market conditions.

## **4. SOFT DEFERRED PAYMENT SHARED APPRECIATION MORTGAGE:**

Deferred mortgage funds in excess of \$52,000 will be subject to the terms of a Shared Depreciation Mortgage (SAM).

Subject to budgetary constraints, the HACP may provide additional soft-second mortgage financing in excess of \$52,000 to eligible participants. Such financing shall be secured in most cases by a third mortgage (the “Third Mortgage”). However, in some cases, the HACP mortgage will be recorded as a fourth mortgage subordinate to mortgages securing bank and other government financing provided, for example, by the Urban Redevelopment Authority (URA) of Pittsburgh. The HACP will subordinate to both the 1st mortgage lender and Pittsburgh’s Urban Redevelopment Authority in the event that a participant qualifies to receive an additional deferred soft second mortgages from the URA. If the participant is eligible to receive additional, second deferred payment mortgages not provided by the first mortgage Lender or the HACP they must utilize the full amount of the additional mortgage prior to utilizing the HACP’s. In the event a first or second mortgage does not exist, the HACP's mortgage will be recorded as a first mortgage.

In the event that the HACP provides soft second mortgage assistance exceeding \$52,000 the terms of the excess assistance amount shall be under a payment Shared Appreciation Mortgage (SAM). The SAM will recapture the portion of second deferred mortgage assistance in excess of \$52,000 in proportion with the re-sale net profit that the excess funds above \$52,000 financed in the initial purchase. The deferred payment forgivable feature of the soft second mortgage will still remain for soft second loan amounts at or below \$52,000, but for assistance amounts above \$52,000 a portion of the loan in excess of \$52,000 can be re-captured by the HACP upon resale of the property in proportion with the net gain experienced from the initial SAM portion of the assistance.

#### **example below:**

##### *Financing Structure*

Sales Price:	\$200,000
Down Payment	\$ 2,000 (Participant Portion 1% if sales price per MTW Policy)
Down Payment	\$ 4,000 (remaining 2% from DPA, buyer, gift, IDA, etc.)
1st Lender	\$110,000
(HACP Forgivable)	\$ 52,000 Forgivable Portion
(HACP SAM)	\$ 32,000 SAM Portion
HACP Total	\$ 84,000 HACP total mortgage(s)

##### *Proration Calculation*

$\$32,000 \text{ HACP SAM financed} / \$200,000 \text{ Sales Price} = 16\% \text{ rate of proration}$

##### *Proration Application*

Resale Price	Pro-Ration Rate	HACP Recapture
\$180,000	x.16	\$28,800 (sold at a loss)
\$200,000	x.16	\$32,000
\$220,000	x.16	\$35,200

## **B. FINANCING WITH A SOFT-SECOND MORTGAGE CALCULATION:**

The Homeownership Expense includes principal, interest, taxes, Homeowners insurance, mortgage insurance premium if required (PITI); this information will be obtained from the Lenders pre-approval and Closing Cost Estimate. In addition to these expenses a monthly utility allowance, routine home maintenance allowance, and major repairs allowance, are also a part of the Homeownership Expense. If the first mortgage Lenders proposed (PITI) payment causes participants estimated Homeownership Expense ratio to exceed thirty-five percent (35%) of gross monthly income the HACP provide a soft-second mortgage to lower the buyers monthly debt obligation to the lender. This means in the event a participant qualifies for a deferred payment soft second mortgage the HACP may exercise the authority to require the participant to reduce the 1st mortgage amount accepted from the bank by an amount specified by HACP in order to achieve a lower Homeownership Expense Payment. The HACP may also provide a soft mortgage to increase the buyers purchase capacity as appropriate in view of current market conditions.

The Homeownership Expense includes principal, interest, taxes, Homeowners insurance, mortgage insurance premium if required (PITI); this information will be obtained from the Lenders pre-approval and Closing Cost Estimate. In addition to these expenses a monthly utility allowance, routine home maintenance allowance, and major repairs allowance, are also a part of the Homeownership Expense.

If the first mortgage Lenders proposed (PITI) payment causes participants estimated Homeownership Expense ratio to exceed thirty-five percent (35%) of gross monthly income the HACP may provide a soft-second mortgage to lower the buyer's monthly debt obligation to the lender. The HACP may also provide a soft- second mortgage to increase the buyers purchase capacity as appropriate in view of current market conditions.

## **C. CALCULATING SOFT – SECOND MORTGAGE ELIGIBILITY USING THE HOUSING ASSISTANCE PAYMENT:**

The HACP Second Mortgage loan amount shall be determined and calculated by using the Housing Assistance Payment which is equal to the lower of the payment standard or the actual monthly Homeownership Expense Payment for the unit minus the Total Tenant Payment (TTP). The Homeownership Program will use the currently in effect Housing Choice Voucher Payment Standard.

The Utility Allowance for the unit will be determined using a monthly utilities estimate obtained from the most recent HACP Housing Choice Voucher Program Utility Allowance schedule for Tenant Furnished Utilities for the appropriate unit size. Standard Utility Allowances for detached house type assumes natural gas heating, natural gas cooking, other electric (lights and appliances), air conditioning, natural gas water heating, water, sewer, trash, tenant supplied range and refrigerator. The Gross Aid Standard is obtained from the most recent HACP Section 8 Housing Choice Voucher Program Voucher Payment Standards.

- ~~Second~~ Deferred payment mortgage loan amount calculation for a buyer: Homeownership Expense Payment or Voucher Program Payment Standard for unit size (whichever is less)

minus the Total Tenant Payment (TTP) x 12 months x 10 years = maximum Second Mortgage loan amount. ~~(not to exceed \$52,000)~~ Loan amounts at or below \$52,000 will be issued under the terms of the deferred payment forgivable soft second mortgage. Loan amounts above \$52,000 will be issued under the terms of the forgivable soft second mortgage for the first \$52,000 of subsidy but the excess amount above \$52,000 will be under SAM terms.

- The ~~Second~~ deferred payment mortgage loan amount calculation above shall be determined during buyer's loan pre-approval process and participant will be provided a written estimated soft ~~second~~ mortgage eligibility and soft ~~second~~ mortgage eligibility amount. The notice will also advise whether the soft ~~second~~ mortgage is to be applied to decrease the 1st mortgage debt obligation and/or increase purchase capacity. This notice will also advise what amount of eligible assistance can be utilized in the form of a forgivable soft second mortgage, Shared Appreciation soft second mortgage. This notice is to be shared with the buyer's prospective lender and/or Real Estate agent prior to buyer selecting a home to purchase.
- Prior to submitting a sales agreement to the seller to purchase a home the buyer must provide a copy of the sales agreement to the HACP for review. The HACP Homeownership participants must utilize a licensed professional to assist with their purchase transaction including but not limited to, the drafting of their sales contract.
- The HACP will issue a final approval notice advising of amount of assistance the buyer is to receive based on the selected Property and cost associated with the purchase. After the primary lender has made a mortgage loan commitment in accordance with the buyer's sales agreement, the buyer is not eligible to request or have the HACP recalculate the buyer's HACP Second Mortgage amount.
- The HACP ~~Second~~ Soft forgivable Mortgage shall be reduced each month (1/120) by the amount (eligible monthly MAP) used in the ~~Second Mortgage~~ Loan Amount Calculation above; provided that, buyer remains in good standing in the Program, continues to occupy the property as their primary residence, and is not in default under the mortgage. In the event of a mortgage default or if the buyer is no longer residing in the home, any further HACP Second Mortgage debt reduction shall occur while such default or non-occupancy condition continues. The buyer in this program who defaults on their mortgage will not be eligible for housing assistance through the HACP (or through any HUD funded housing assistance program) until the outstanding obligation on the HACP 2<sup>nd</sup> mortgage has been satisfied.
- Once a buyer completes a home purchase, interim and monthly re-certifications of income and annual Housing Quality Standard (HQS) inspections are no longer required.

Note: Program participants who established homeownership 'lease-purchase' accounts prior to January 1, 2007 may utilize such accounts towards their down payment or closing costs.



#### **D. THE HOMEOWNERSHIP WAITING LIST:**

A participant's position on the Homeownership Program Waiting List will be determined by the date of their pre-approval letter that they have obtained from a bank.

The participant will have sixty (60) days from the date of their mortgage pre-approval letter to execute a sales agreement on the property of their choice and provide the HACP with a copy of the sales agreement.

The participant/buyer must have a settlement within ninety (90) days from the date that the mortgage application package is submitted to underwriting.

Persons failing to sign a sales agreement, complete a mortgage application in a timely manner as per the sales agreement, or reach settlement within the allotted time period will be removed from the list. Participants can get a new pre-approval letter and will be put back on the list based on the new date of the new pre-approval letter.

Anyone on the Homeownership Waiting List when annually budgeted funds become exhausted will remain on the list for the subsequent budget year. If a participant/buyer does not meet the stated deadlines for performance in the program, the HACP will review on a case by case basis to determine if and what remedies are available to assist in the completion of the transaction.

#### **E. PORTABILITY:**

A current HCV Program family who qualifies for homeownership assistance may Port to another jurisdiction and purchase a home outside the HACP's jurisdiction through another PHA's program, provided the receiving PHA is administering a homeownership program, is accepting new families into its homeownership program, and considers the family eligible based upon the receiving PHA's eligibility requirements. Participants porting to other jurisdictions are not eligible for Homeownership Program Assistance from the HACP.

### **IX. TENANT/BUYER SELECTION FOR VACANT HACP SCATTERED SITES HOMES**

Upon the HACP's approval to release for sale a HACP-owned property, as they become vacant, the Program staff collects applicants for a Buyer's List of interested mortgage pre-approved tenant buyers for each home address during a minimum of five (5) business days prior to HACP finalizing and closing the Buyer's List. The Buyer's List is to be utilized in the event two or more mortgage pre-approved applicant buyers desire to purchase the same property. A tenant buyer shall only be on one property Buyer's List or sign one sales agreement at a time. A buyer is only eligible to sign a Buyer's List if the tenant buyer's mortgage pre-approval letter states a loan amount that is at least equal to or exceeds the property net sales price after applying applicable discounts and other Program benefits. If there are no buyers for a vacant unit, the HACP may lease that unit as a standard LIPH scattered site rental unit to the next eligible family on the LIPH waiting list.

After collecting interested tenant/buyers for up to five (5) business days, HACP shall select from the Buyer's List the buyer based upon the following criteria:



- The date of their mortgage pre-approval letter shall be the first priority for the selection of any tenant/buyer that the HACP enters into a sales agreement from the property Buyer's List.

a) In the event that two (2) tenant/buyers have the same date on their mortgage pre-approval letter, the HACP shall select the tenant/buyer based upon the tenant/buyer with a lower total debt-to-purchase price ratio.

In the event that a home does not sell during its initial sales offering, the HACP may collect additional interested mortgage qualified tenant/buyers from either low income public housing residents or HCV holders for an additional five (5) business day period and form a new Buyer's List to repeat the buyer selection process at the HACP's discretion.

**A. TENANT / BUYER NOTIFICATION:**

The tenant/buyer who is selected by the HACP to enter into a property sales agreement shall be notified by the HACP and requested to execute a sales agreement.

**B. TENANT / BUYER NOT SELECTED FROM BUYER'S LIST:**

Once the HACP enters into a sales agreement with a tenant/buyer from the Buyer's List, the remainder of tenant/buyers not selected are released from this Buyer's List and are eligible to sign up for a new property Buyer's List.

**C. TENANT / BUYER FAILS TO COMPLY WITH SALES AGREEMENT:**

If the HACP enters into a sales agreement with a tenant/buyer and the tenant/buyer fails to fulfill the terms and conditions of the sales agreement, the tenant/buyer shall not be eligible to participate in the Program for one (1) year following the date of the sales agreement. If a tenant/buyer fails to complete the sales process and the tenant/buyer's sales agreement is terminated, the HACP will review the property Buyer's List and the Homeownership staff will offer the property to the next qualified buyer as outlined in the Tenant/Buyer Selection Process.

## **X. HACP OCCUPIED SCATTERED-SITE TENANT/BUYER SELECTION**

**A. OCCUPIED SCATTERED SITE:**

If an HACP public housing tenant is currently leasing a scattered site, the occupying tenant has the right of first refusal to purchase the scattered site property. If the current family leasing the unit chooses not to purchase the unit in which they reside, but want to remain in good standing as a tenant, they may remain in the unit as leasing tenants. If an occupying tenant exercises the right of first refusal and fails to purchase the property, they may remain in the unit as a low income public housing tenant as long as they continue as a tenant in good standing. In no case shall a tenant participating in the homeownership program who fails to purchase a home gain any rights to their dwelling beyond those rights of a low-income public housing tenant.

**XI. HOPE VI:** No MTW Homeownership Program benefits may be applied to HOPE VI programs.

## **XII. RECAPTURE OF HOMEOWNERSHIP ASSISTANCE**

The HACP does not participate in the recapture of home value appreciation unless a Shared Appreciation Mortgage is issued for buyers eligible to receive additional soft mortgage amount in excess of \$52,000. In this event the HACP issues soft mortgage funds in excess of \$52,000 HACP may recaptured via a Shared Appreciation Mortgage instrument in proportion with the net gain experienced from the initial SAM portion of the assistance.

## **XIII. BUYER FILES**

Buyer files should contain copies of the following items and be maintained by the HACP for a period of no less than ten (10) years following closing.

- a. Homebuyer education certificate from a HUD approved education provider
- b. Mortgage pre-approval letter from a lender
- c. Signed agreement of sale and purchase
- d. Buyer debt ratio calculation
- e. Buyers Uniform Residential Loan Application and are Loan Estimate when applicable
- f. Documentation that buyer meets HACP eligibility
- g. HACP financial checks issued to or on behalf of buyer
- ~~h. HUD-1 settlement statement~~ Closing disclosure and/or ALT-A
- i. Home Inspection Report
- j. Second mortgage calculation
- k. Closing costs assistance form

## **XIV. ACCOMMODATIONS FOR PERSONS WITH A DISABILITY**

The HACP is committed to ensuring the Program is accessible to persons with disabilities and will make outreach efforts to market the Program to such persons. The HACP will address requests from those persons with disabilities through its reasonable accommodation policy and procedure to assure equal access to the homeownership program.

## **XV. HACP CONVERTIBLE BRIDGE LOAN**

### **A. PURPOSE:**

The proposed expansion of the current, Housing Authority of the City of Pittsburgh (HACP) Homeownership Program is to provide Capital Fund assistance in the form of a short term bridge loan to designated partner agencies and organizations, demonstrating the practical capability to carry out the rehabilitation of their own acquired and/ or the HACP scattered -site units for the purpose of reselling the units to Homeownership Program Participants upon completion of the

rehab. Upon the completed sale to the Homeownership Program Participant, The Bridge Loan will “pass-thru” to the Homeownership Program Participant in the form of a second deferred mortgage. Therefore, the funding originally issued to the partner to finance the rehab will convert to a write-down of the sales price under the provisions of the HACP’s Homeownership Program concerning the sale of scattered sites.

The write-down of the resale of the unit to Homeownership Program Participants will be equal to the Participant’s second mortgage determination but no more, than what was “bridged” to the Partner. If the Participant is determined to be eligible to receive more than what was bridged to the Partner, the HACP will make up the difference in the write-down amount by issuing the said Participant a second deferred payment mortgage in addition to the write-down of sales price.

## **B. BENEFIT OF THE PROPOSED EXPANSION:**

### REDUCED RISK TO THE HACP:

- a. Develop for purchase housing at a low-cost;
- b. No acquisition cost to the HACP directly;
- c. No financing cost to the HACP unless the property is recaptured and loan used to finance development is assumed by the HACP.

### EFFICIENT ALLOCATION OF RESOURCES:

- a. Produces affordable homeownership units with little to no increase to budgeted spending;
- b. Serve as a framework for future development;
- c. Safe disposition of Public Housing Units to Home Ownership.

### RESULTS OF THE PROPOSED EXPANSION:

- a. Increases property tax revenues for the City of Pittsburgh;
- b. Increases the effectiveness of existing Home Ownership Programming;
- c. Strengthens the HACP’s partnerships and position of being the highest, quality provider of affordable housing in the City of Pittsburgh;
- d. Permits the HACP to influence homeownership creation within current budget constraints while maintaining the current position of being the flagship agency providing real estate development services.

### **C. PARTNER SELECTION/ PURCHASE RESALE ENTITY (PRE) REQUIREMENT:**

Section 32 permits the sale of units directly to Low-Income Public Housing (LIPH) or non-public housing residents or to a Purchase Resale Entity, which in turn must resell them to low-income households. If a PRE is used, the Homeownership Plan must include the firm's qualifications, marketing plan, and a description of that entity's responsibilities.

#### **PARTNER/PRE CRITERIA:**

##### **1. LEGAL CAPACITY:**

- a) Proven performance within contractual agreements;
- b) Sign a written agreement specifying the rights and responsibilities of the PHA and PRE;
- c) Provide assurances regarding compliance with the program;
- d) Produce evidence of adequate record-keeping and reporting.

##### **2. PRACTICAL CAPABILITY:**

- a) Track record of SFR rehabilitation within Davis/Bacon rules;
- b) Procurement & construction expertise;
- c) Provide limitations on PRE administrative, overhead, and compensation/profit;
- d) Implement deed restrictions on acquisition and resale of units.

##### **3. GOAL AND MISSION SYNERGY:**

- a) Encourages the growth of organizations capable of developing affordable;
- b) Agree to sell units only to low or moderate-income households. Agree to transfer ownership of units back to the HACP if the PRE cannot sell the units within five (5) years or less.

Potential Partners include Habitat for Humanity, the Hazelwood Initiative, and Pittsburgh Housing and Development Corporation.

#### **D. BRIDGE / DEVELOPMENT LOAN TERMS:**

**LOAN AMOUNT:** 25% of the project cost up to \$52,000 Term: up to 18 months, maybe extended for a maximum of 24 months

**PAYMENT PROVISION:** 0% interest during the term of loan satisfied upon sale of the unit to Program Participant

**RECAPTURE:** The HACP Unit may be recaptured by the HACP if there is no final sale within 60 months of Bridge Loan Agreement

**SUBORDINATION:** The HACP Bridge loan will be in 1st lien position, but will subordinate Lender financing which cannot exceed 50% of projected project cost and must be assumable by the HACP in the event of recapture from the PRE.

#### **ADDITIONAL:**

- Project costing \$208,000 or more is eligible for a full \$52,000 loan amount.
- The project must be approved by the loan committee. The affordability of the end product will be reviewed.
- The home must be sold to Program Participants within 18 months of loan issuance or the entire loan will become due to the HACP.
- Liquidity Test: PRE must verify at least 25% of the total project cost in reserves

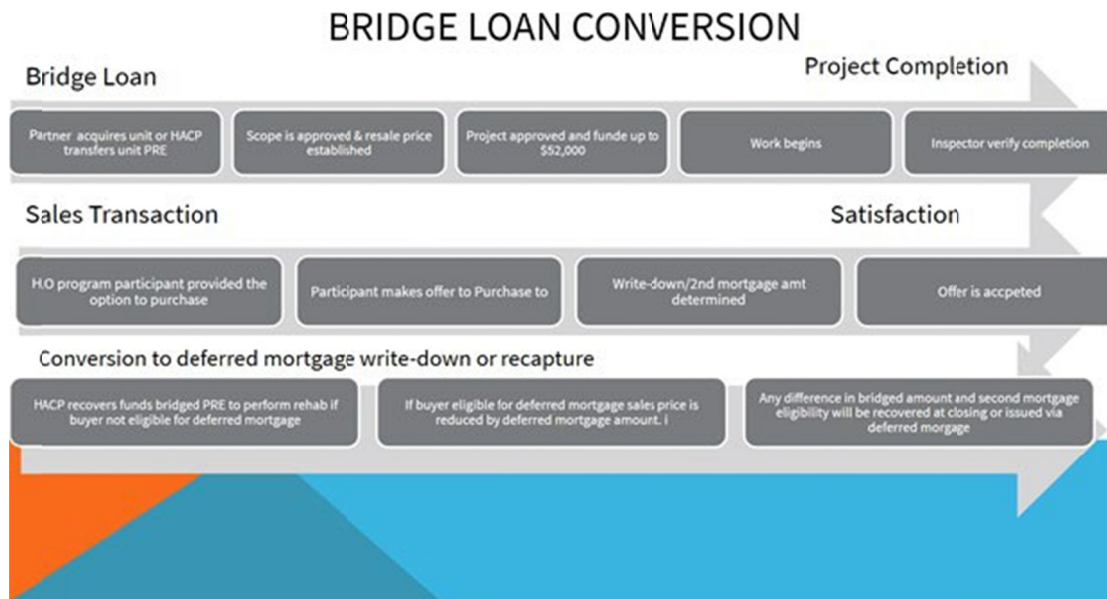
#### **BRIDGE/ DEVELOPMENT LOAN CONVERSION:**

- 1) The scope is developed and resale price established by the review committee
- 2) Project approved and funded up to \$52,000
- 3) Partner acquires unit or the HACP transfers unit using partners PRE status
- 4) Inspector verify completion

#### **PURCHASE TRANSACTION:**

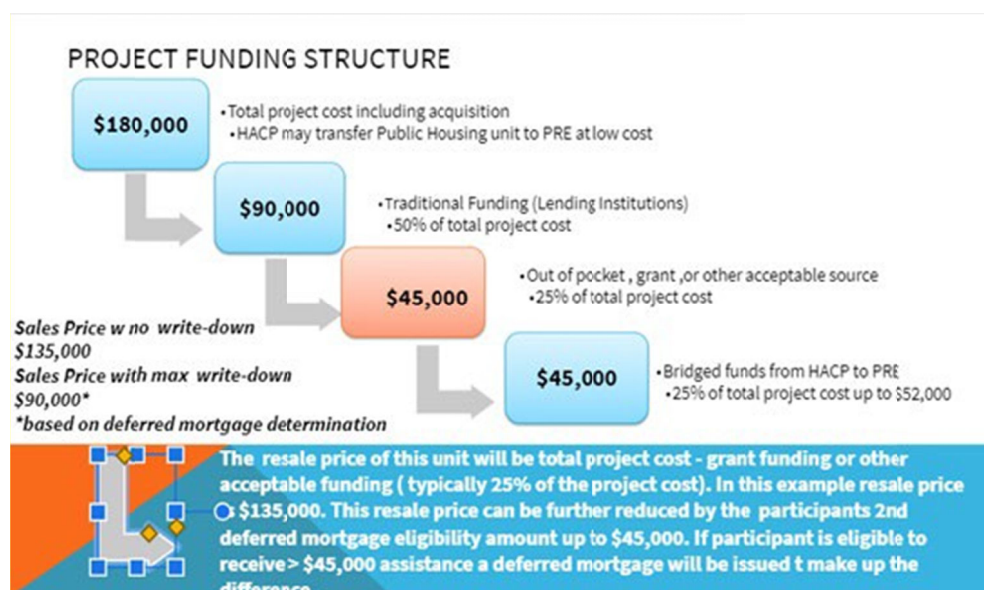
- 1) Home Ownership Program Participants provided the option to purchase
- 2) The Participant makes an offer to purchase the unit,
- 3) Write down and/or deferred mortgage amount determined
- 4) Partner accepts the offer
- 5) The Participant continues with the HACP Home Ownership Program step-by-step guide

Please note: Participants may or may not be eligible for a second deferred mortgage but they must have the purchasing capacity to purchase at the sales price - second mortgage eligibility.



### E. EXAMPLE PROJECT FUNDING STRUCTURE :

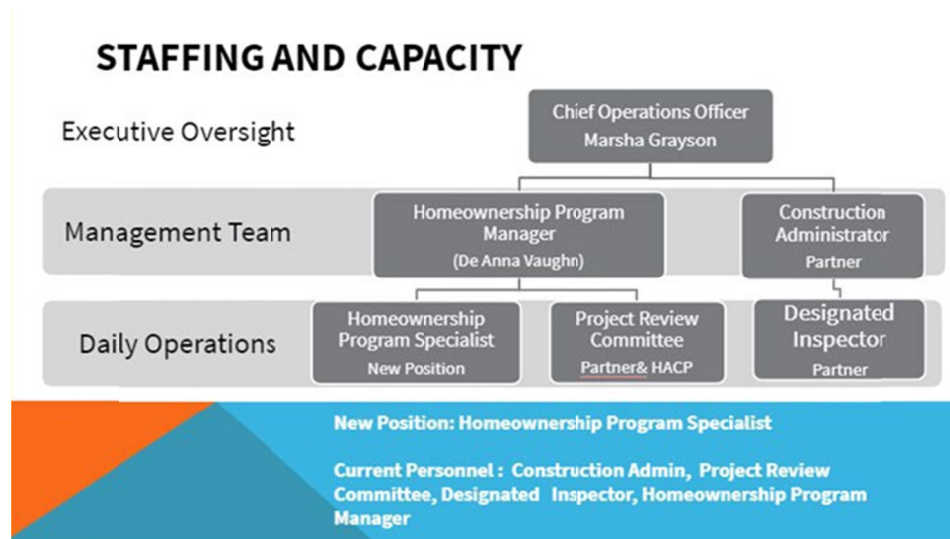
The resale price of this unit will be total project cost - grant funding or other acceptable funding (typically 25% of the project cost). In this example of a project costing \$180,000, the resale price is \$135,000. This resale price can be further reduced by the Participants' 2nd deferred mortgage eligibility amount up to the amount of the Bridge Loan issued to the partner. If the Participant is eligible to receive the amount bridged to the Partner additional assistance in the form of a deferred mortgage will be issued to make up the difference. If the Participant is eligible to receive less than the amount bridged to the Partner, the loan difference will be recovered by the HACP at the closing.



## XVI. BRIDGE LOAN ADMINISTRATION AND IMPLEMENTATION PLAN:

### A. STAFFING:

- New Position Homeownership Program Specialist
- Current Personnel Construction Admin, Project Review Committee, Designated Inspector, Homeownership Program Manager



### B. IMPLEMENTATION TIMELINE:

#### 1). PROGRAM EXPANSION REVIEWED BY EXECUTIVE, LEGAL, AND FINANCE. (2-3 WEEKS)

- a) Board resolution to expand The Homeownership Program to include the origination of Development Bridge loans to PRE Partners (September Board)

#### 2). PARTNERS SELECTION PROCESS CREATED AND PERFORMED (UP TO 3 MONTHS)

- a) Construction admin and inspector responsibilities determined
- b) Bridge loan review committee appointed
- c) Homeownership Specialist hired

#### 3). SITE SELECTION (EARLY 2021)

- a) Existing HACP and Partner inventory reviewed first

#### 4). PROGRAM LAUNCHED (1ST QTR. 2021)

- a) No outside acquisitions in the pilot period of 12 months