

# City of Columbia

## Homeownership Assistance Program

**Community Development Department,  
City of Columbia**

**September 11, 2014**



# Introductions and Roles

## City of Columbia staff

- Randy Cole, Housing Programs Supervisor
- Eric Hempel, Housing Specialist
- Kathy Sides, Administrative Support Assistant
- Leigh Britt, Division of Neighborhood Services Manager

# Purpose of Presentation

- Inform attendees of funding increase.
- Communicate program requirements.
- Provide examples of non-eligibility.
- Gain feedback to align program with industry practices.

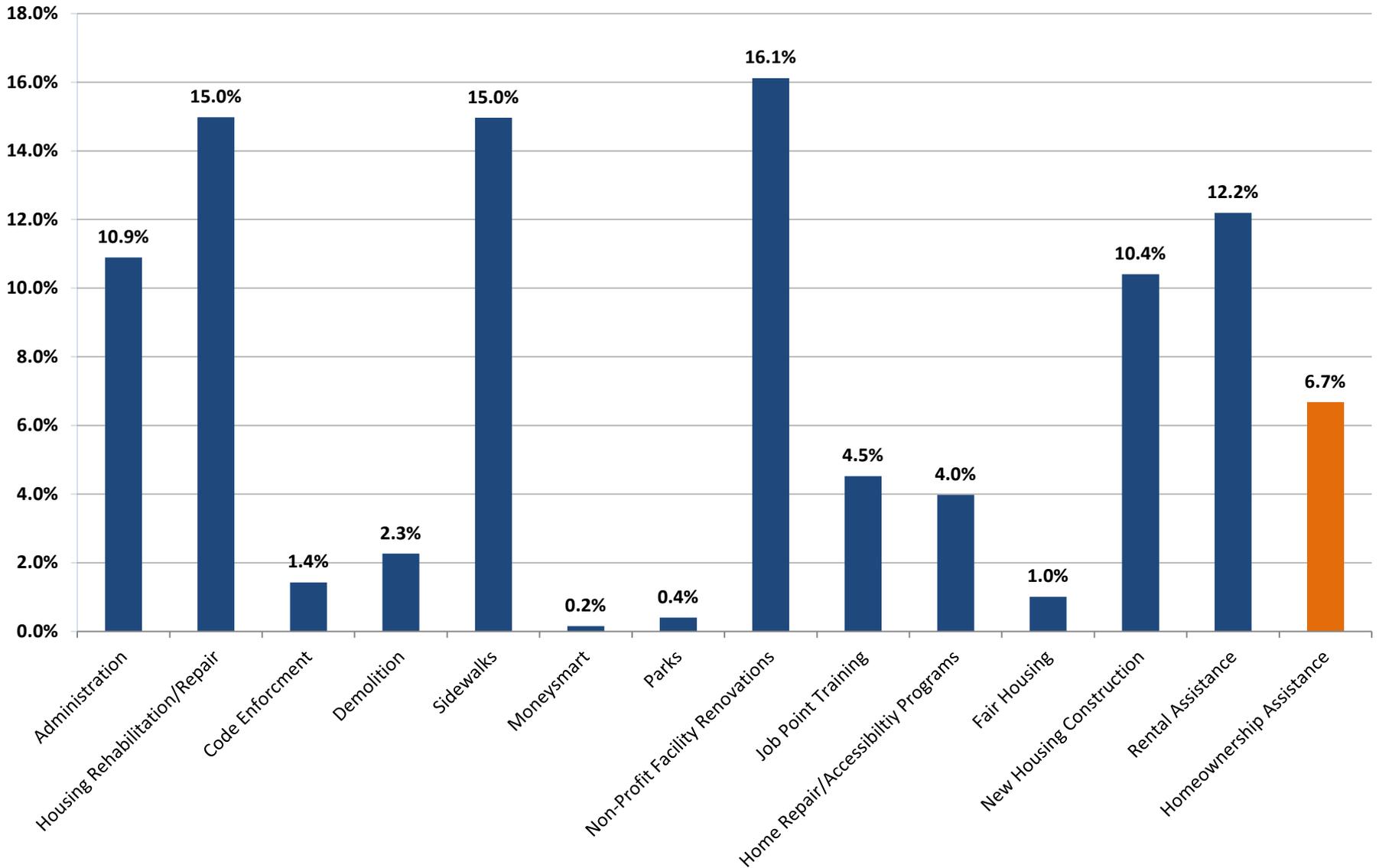
# Goals

- Increase attendee knowledge of program.
- Increase program participation in the Homeownership Assistance program.
- Strengthen partnership between City, Realtors and Lenders.
- Identify opportunities for improvement.

# CDBG and HOME Staff Responsibilities

- Comprehensive Rehabilitation Program
- Minor Home Repair Program
- Demolition Program
- Rental Production
- Manage local non-profit sub-recipient organization contracts.
- Homeownership Assistance Program

# City of Columbia FY2013 Percent HUD Expenditures by Activity (CDBG and HOME combined)



# Homeownership Assistance Program

- Closing cost and down payment assistance for first time homebuyers
- New 7.5% of purchase price up to \$7,500.
  - 10 year forgivable loan @ 10% per year.
- Available city-wide.
- Participant must meet eligibility and underwriting requirements.
- Home must meet property maintenance standards.

# Participant Eligibility

- First-time Homebuyer
- 80% the Area Median Income or below

Household Size	Income Limit
1-person	\$ 38,400
2-person	\$ 43,850
3-person	\$ 49,350
4-person	\$ 54,800

# How Is Income Determined?

- HUD required method (Implemented in 2013).
  - IRS 1040 long form(annual gross household income)
  - Certain deductions are taken to arrive at adjusted gross income.
    - Child support is not included.
    - Alimony payments received is included.

# Income

- Wages, salaries, tips, etc.
- Taxable interest
- Dividends
- Taxable refunds, credits or offsets of state and local income taxes. There are some exceptions – refer to Form 1040 instructions.
- Alimony (or separate maintenance payments) received
- Business income (or loss)
- Capital gain (or loss)
- Other gains (or loss)

# Income Continued

- Taxable amount of individual retirement account (IRA) distributions.
- Taxable amount of pension and annuity payments
- Rental real estate, royalties, partnerships, corporations, trusts, etc.
- Farm income (or loss)
- Unemployment compensation payments
- Other income, including prizes and awards...
- Taxable amount of Social Security benefits
- Do not count SSI as income

# Adjusted Gross Income

- Subtract applicable deductions from gross income to arrive at household's adjusted gross income. (Adjusted gross income as defined by current IRS 1040)
  - IRA deduction
  - Medical savings account deduction
  - Moving expense deduction
  - ½ of self employment tax deduction
  - Self-employed health insurance deduction
  - KEOGH and self-employed SEP and SIMPLE plans
  - Penalty on early withdrawal from savings
  - Paid alimony

# Helpful Income links

- **IRS form 1040:** <http://www.irs.gov/pub/irs-pdf/f1040.pdf>
- **IRS form 1040 instructions:** (Taxable Social Security worksheet on page 29) <http://www.irs.gov/pub/irs-pdf/i1040.pdf>
- **IRS transcript:** <http://www.irs.gov/Individuals/Get-Transcript>

# Application Process

1. Participant completes City application & provides income documentation.
2. Participant provides documentation of completing homebuyer class.
3. Lender provides loan documents to City.
  - GFE
  - Appraisal
  - Underwriting worksheet and summary sheet
  - Credit reports
  - Checking and savings account statements
  - Documentation of first-time homebuyer status
  - 3rd party inspection
  - Sales contract
  - Lead hazard notification
  - Uniform Relocation Act Compliance Notification
  - Lender loan application
  - Title Insurance Commitment
  - Truth in lending statement
4. City completes inspection(s).
5. City approval sent to lender and participant.
6. Participant signs City loan documents.
7. Lender provides warranty deed and HUD Settlement to City.
8. Check provided for closing.

# Historical Processing Times, Date of Application to Closing

	Apply Date	Closing	Days	Reasons for Delay
114 Lynn	5/13/2013	6/17/2013	35	
400 Amazon	5/30/2013	6/21/2013	22	
2105 Doris Drive	6/6/2013	7/3/2013	27	
2910 Mexico Gravel	6/28/2013	8/16/2013	49	3 <sup>rd</sup> party insp. Received 7/30, Appraisal received 8/5.
609 Florence	7/11/2013	7/26/2013	15	
905 Clayton	7/18/2013	8/21/2013	34	
417 Alexander	9/12/2013	11/6/2013	55	Significant Repairs, Lead Hazards .
4609 Fenimore	11/21/2013	12/18/2013	27	
3680 N Creasy Springs Rd.	2/7/2014	3/28/2014	49	Significant Repairs, Buyer needed extra time to reduce debt.
511 Hickman Ave.	3/20/2014	4/16/2014	27	
5306 Rice Road	3/27/2014	5/14/2014	48	Hail damaged roof requiring replacement.
2608 Nelwood	4/2/2014	4/30/2014	28	
710 King Ave	4/8/2014	5/9/2014	31	
1611 Colonial	5/27/2014	6/25/2014	29	
3411 Nottingham	5/30/2014	6/25/2014	26	
1312 Hunt Ct.	8/1/2014	8/27/2014	26	

# Goals for Processing

- Previous goal was 30 days to process from time of application.
  - Changing this performance goals, due to variables beyond city control.
    - Participant submission of documents.
    - Time needed for 3<sup>rd</sup> party insp./appraisal.
    - Closing date is often beyond 30 days.
    - Home requires repairs.
- **New performance goal for processing.**
  - City check ready for closing within 10 business days or less after the following criteria are met.
    - All loan documents received.
    - Repairs complete and house meets requirements.

# Underwriting Requirements

- Average credit score of at least 600
- 35% front end ratio
- 45% back end ratio
- No more than \$15,000 in non-retirement assets.

# Property Requirements

- Minimum property maintenance standards as established by City ordinances.
  - No peeling paint
  - Operational smoke/CO alarms per code
  - No plumbing leaks
  - Sound structure
  - Management of vegetation
  - Proper egress
  - No deteriorated roof
  - Safe and operational systems (HVAC, plumbing, electrical)

# Common Repairs Needed

- Smoke detectors.
- Carbon monoxide detectors.
- Plumbing leaks.
- Vegetation against house.
- Peeling paint.
  - Pre-1978 home requires lead clearance.

# Loan terms

- 10-year loan forgivable @ 10% per year.
- Prorated balance repaid to City if the owner does not remain as occupant within the 10 year period.
- 0% interest.
- Secured by promissory note and deed of trust.

# Homeownership Assistance Neighborhood Development

- Allows for up to \$30,000 in homebuyer assistance for homes developed (new construction or substantial rehabilitation) with HOME funds.
  - Typically Job Point, Habitat, CMCA, or home developed through City procurement.
- No first time homebuyer requirement.
- Loans consist of a \$25,000 10 year forgivable loan @10% annual with an \$5,000 due upon transfer of title.

# Examples of Disqualification

- Example 1:
  - Sales price was \$129,500, however appraisal was at \$115,000.
  - Project included \$30,000 in homebuyer assistance.

## Result:

1. Realtor pressured appraiser to raise appraised value to \$130,000.
2. City requested additional 3<sup>rd</sup> party appraisal.
3. 3<sup>rd</sup> party appraisal came in at \$121,000, which resulted in the new contract price.

# Examples of Disqualification

- Example 2:
  - New home in great shape, however roof had hail damage with deficiencies noted in 3<sup>rd</sup> party inspection report.

## Result:

Seller replaced the roof and the sale was completed.

# Examples of Disqualification

- Example 3:
  - Applicant was significantly over income. Realtor asked if I could fudge the numbers, or if there was a “10% fudge factor”.
  - This puts City funding at risk, as well as, the City employee. Fraud can be federally prosecutable.

Result: The homebuyer was disqualified and determined to be ineligible.

# Annual Production

Year	Expenditures	Homes Assisted
2008	\$ 85,947.37	16
2009	\$ 291,286.17	54
2010	\$ 25,892.96	7
2011	\$ 90,855.68	12
2012	\$ 80,974.00	12
2013	\$ 122,910.00	17

# Opportunities for Improvement

- Receiving complete information.
  - Lender, Realtor, and City work as a team to ensure documents are received.
- Anticipate repairs needed:
  - Plumbing leaks
  - CO/Smoke detectors
  - Peeling paint
  - Deteriorated roof
  - Exterior vegetation

# Feedback

- Suggestions to align program with industry practices, and/or improve process.

# Questions???

- Presentation can be viewed on City website.
  - [www.gocolumbiamo.com](http://www.gocolumbiamo.com)
    - City Government
      - Community Development
        - Housing Assistance Programs
          - Homeownership Assistance Program
            - [Board of Realtors Presentation](#)
- Contact Info
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