



Florida's Warmest Welcome

Office of Housing and Urban Improvement

PURCHASE ASSISTANCE PROGRAM



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STAFF CONTACT INFORMATION



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DESCRIPTION OF PROGRAM

The City of Pompano Beach is a participating Local Government for State and Federal funds that can be used to provide assistance to very-low, low and moderate-income households to purchase a home. These programs include:

State Housing Initiatives Partnership Program (SHIP)

Home Investment Partnership Program (HOME)

Neighborhood Stabilization Program (NSP)

Affordable Housing Trust Fund Local (AHT)

The City shall at all times comply with applicable statutes and regulations that apply to the funding source. The purpose of this document is to provide a guide to the required documentation and procedures for applying for down payment assistance for affordable housing. This strategy may be used by qualified persons in need of financial and closing cost assistance to purchase a home. This gap funding is used for costs associated with purchasing a home within applicable limits.

Assistance is provided for homes located within the City of Pompano Beach. The City of Pompano Beach encourages applicants to leverage as many sources of funds as available to make home purchases.

FIRST TIME HOMEBUYER

A first-time homebuyer is defined as an individual who has had no ownership in a principal residence during the 3-year period ending on the date of purchase of the property. This includes a spouse (if either meets the above test, they are considered first-time homebuyers). A single parent who has only owned a home with a former spouse while married. An individual who is a displaced homemaker and has only owned with a spouse. An individual who has only owned a principal residence not permanently affixed to a permanent foundation in accordance with applicable regulations. An individual who has only owned a property that was not in compliance with state, local or model building codes and which cannot be brought into compliance for less than the cost of constructing a permanent structure.

INCOME LIMITS

Income cannot exceed the program income limits. Income Limits are published on a yearly basis by the United States Department of Housing & Urban Development (HUD) at <https://www.huduser.gov/portal/datasets/il.html> and Florida Housing Finance Corporation. (FHFC) at <http://www.floridahousing.org/owners-and-managers/compliance/income-limits>

ELIGIBLE PROPERTIES

- One-unit single-family residences including town homes and condominiums.
- Home must be located in the City of Pompano Beach
- Homebuyer must occupy the home as their primary residence
- Property cannot be tenant occupied
- The maximum purchase price of a home being purchased with SHIP assistance cannot exceed the SHIP value limits as published by Florida Housing Finance Corporation.
- The maximum purchase price of a home being purchased with HOME assistance cannot exceed the HOME value limits as published by HUD.

Eligibility for Assistance (Citizenship/Legal Status)

Individuals must be U.S. citizens or non-citizens with eligible permanent immigration status in order to qualify for assistance under this program. All members of the family applying for assistance must declare their status as one of the following:

1. A U.S. citizen; or
2. An eligible non-citizen (as verified through the SAVE system/Department of Homeland Security).

UNDERWRITING STANDARDS

Before assistance can be provided to an income eligible household the Housing staff will apply underwriting standards to evaluate housing debt and overall debt of the family, the appropriateness of the amount of HOME assistance, monthly expenses of the family, assets available to acquire the housing, and financial resources to sustain homeownership. All files will contain a mortgage subsidy loan calculator worksheet in accordance with the following terms:

HOUSING DEBT TO INCOME RATIO (Front-end)

It is expected that the applicant pays at least 33% of their gross income toward housing expenses, but no more than 45% under most circumstances. **Housing expenses can include the following.

Payment on principal and interest on the mortgage

Property taxes

Property insurance

Private mortgage insurance

Homeowner association fees

**Unless the applicant can clearly demonstrate a history of meeting higher housing expense ratios over an extended period of time (e.g., one year or more).

Utilities and maintenance items are not included in calculating housing expense (front-end) ratios.

TOTAL DEBT TO INCOME RATIO (Back-end)

This ratio includes housing expenses listed above and payments on other revolving or installment debt.

The total amount paid for housing and all other debts (back- end ratios) should not exceed 45%. A lender may use a higher housing expense ratio and a higher total debt to income ratio if their automated underwriting system (AUS) approves it, to make the transaction work.

LOAN TO VALUE RATIOS

The loan-to-value ratio of the first mortgage should be no less than 65% of the appraised value for low-income households and no less than 50% of the appraised value for very-low income households. The combined loan to value ratio for all loans should not exceed 105% of the appraised value.

If extenuating circumstances exist which require that the housing debt to income ratio exceeds the set limits, then the OHUI Director is authorized to increase the limit in a case-by-case scenario.

The OHUI shall receive preliminary closing documents and review the following:

- Home inspection
- Final home inspection (if repairs are needed)
- Termite Report (WDO)
- Appraisal
- First Mortgage & Note
- Preliminary loan disclosures; and
- Title Commitment

OUT OF POCKET COST/ REQUIRED INVESTMENT/ CONTRIBUTION

The amount of cash out of pocket to the homebuyer is determined by the lending institution but shall not be less than 3% of the purchase price. Of that 3%, a total of 1.5% can be funded from the City provided down payment assistance. This amount can include the cost of inspection fees, closing costs, pre-paid, hazard insurance and property taxes paid by the buyer. This amount can be in the form of a gift if the gift is documented with a gift letter provided to the first mortgage lender.

Applicants with monetary assets surpassing \$25,000 must contribute one-third (1/3) of the funds towards the purchase, unless the assets are held in retirement funds accessible solely through termination or retirement.

MORTGAGE LOAN COMMITMENT

Applicant must secure a first mortgage loan commitment at a competitive fixed rate (15 to 30 Year FHA, VA or Conventional Loan only) through an approved lender. Funds are reserved for a maximum

of one hundred and twenty (120) days for eligible borrowers with an executed purchase contract and a mortgage pre-approval letter from a mortgage lender.

Applicants shall not be permitted to apply with a NON-OCCUPYING co-borrower unless the co-borrower independently satisfies all applicable program eligibility criteria, including but not limited to the residency requirements established by the City of Pompano Beach.

This requirement is intended to ensure that the subject property qualifies for and maintains 100% homestead exemption status, as mandated under the terms of the First Time Homebuyer – Purchase Assistance Program. If the co-borrower fails to meet the residency requirement, the property may not be deemed 100% homesteaded, thereby disqualifying the application from further consideration.

All approved applicants and co-borrowers, where applicable, must maintain 100% homestead status on the assisted property for the duration of the loan term and/or affordability period. Noncompliance with this requirement shall constitute a breach of program obligations and may result in the recapture of program funds and/or acceleration of any outstanding loan balance, at the sole discretion of the City.

PRE-PURCHASE COUNSELING

Applicants must attend an 8- or 12-hour Homebuyer Education Class provided by one of the HUD Approved Homebuyer Education Providers. The pre-purchase education program certificate must be provided by a HUD approved Housing Counseling Agency located within the State of Florida. The certificate must be dated no more than one (1) year prior to application submission. See Appendix 1 for a list of Certified Homebuyer Class locations.

LOAN CONDITIONS & REPAYMENT

Maximum assistance for home buyers is a down payment, closing cost, sales price writes down and/or gap financing not to exceed \$80,000 under the HOME Program and not to exceed \$50,000 under the SHIP Program .

The loan is a 20-year deferred loan with 0% interest. The loan is forgiven 20% per year in the last 5 years.

The loan will be determined to be in default if any of the following occurs: sale, transfer, or conveyance of property; conversion to a rental property; loss of homestead exemption status; or failure to occupy the home as primary residence. If any of these occur, the outstanding balance will be due and payable.

TERM, RECAPTURE AND DEFAULT

During the first 15 years of the 20-year affordability period, if the property is sold, transferred, or conveyed; converted to a rental property; loss of homestead exemption status; or failure to occupy the home as primary residence, the buyer will be required to pay 100% of the assistance provided. During the last five years, the assistance will be reduced 20% per year and a satisfaction of mortgage given after the 20th year as follows.

Year	Principal
0-15	100%
16	80%
17	60%
18	40%
19	20%
20	0%

The Affordability Period is based upon the total amount of assistance as set forth in the HOME program written agreement and the SHIP program Local Housing Assistance Plan (LHAP).

APPLICATION

Applications are available at the Office of Housing and Urban Improvement between 7:00 a.m. – 6:00 p.m., Monday thru Thursday and online. All applicable supporting documentation listed on the application checklist, MUST accompany the application. Completed applications are processed on a first come, first eligible basis while funds are available with priorities for SHIP assisted units as outlined in the LHAP.

Applicants must contact a participating lender for pre-approval and bring a loan commitment/approval letter from the Bank or Lender with the application. The letter must state the amount of loan for which the applicant is qualified for, the estimated interest rate and terms for a first mortgage. Once the applicant is pre-qualified, the applicant must enter into a contract to purchase a home and provide a copy with the application.

ANNUAL INCOME

Upon receipt of the application, an OHUI representative will compare the applicant's total annual household income to applicable income limits. If the applicant appears to meet income guidelines, OHUI will proceed with the certification process.

To annualize full-time employment, multiply the type of wage by the following periodic amounts:

- Hourly wages by 2,080 hours;
- Weekly wages by 52;
- Bi-weekly (every two weeks) amounts by 26;
- Semimonthly (every half month) amounts by 24; or
- Monthly amounts by 12

To annualize income from anything other than full-time employment, multiply:

- Hourly wages times the number of hours the household expects to work annually; or
- Average weekly wages times the number of weeks the household expects to work; or
- Other periodic amounts (monthly, biweekly, etc.) by the number of periods a household member expects to work.

Annual wages should always reflect the entire 12-month period regardless of the pay schedule. For example: a teacher is paid \$25,000 per year. Use the \$25,000 figure whether the payment is made in 12 monthly installments, 9 installments, or some other payment schedule. Always use current circumstances to project income.

A determination of verified annual income must include all income (see table on following pages) by all adult members of the household. If the applicant's income increases or decreases prior to closing of the home purchase, the applicant must advise OHUI of that fact. Recertification of income eligibility is necessary in that case.

The City of Pompano Beach uses 24 CFR part 5.609 to determine income eligibility. When determining income inclusions and exclusions refer to current HUD guidance on the HUD exchange or the Florida Housing Finance Corporation website.

ASSETS

Assets are items of value, other than necessary personal items, and are considered along with verified income in determining the eligibility of a household. Total household assets and asset income are considered, including those of minors. When computing the value of assets, use the cash value of assets, which is the amount of applicant(s) would receive if the assets were converted to cash.

There are no limits on assets for participation in the Purchase Assistance Program; however, applicants with monetary assets surpassing \$25,000 must contribute one-third (1/3) of the funds towards the purchase, unless the assets are held in retirement funds accessible solely through termination or retirement. The potential annual income that can be earned from assets is taken into consideration when calculating annual income. Asset income is also annualized based on what is anticipated to be received during the 12 months following eligibility or re-certification.

Income from assets is recognized as part of annual income for the program. In general terms, an asset is a cash or non-cash item that can be converted to cash. It is the income earned – e.g., interest on a savings account – not the asset value, that is counted in annual income and is counted even if the household elects not to receive it, for example, reinvested interest or dividends from an asset.

The City of Pompano Beach uses 24 CFR part 5.609 to determine asset eligibility. When determining asset inclusions and exclusions refer to current HUD guidance on the HUD exchange or the Florida Housing Finance Corporation website.

CREDIT

Borrowers with a minimum decision credit score of less than 600 are not eligible to participate in the program.

THIRD-PARTY VERIFICATIONS/INCOME CERTIFICATION

Once all the required documentation is received, the housing intake will conduct third-party verifications. Annual household income is the combined income for all wage earners in the applicant's household. A household member that is 18 years old, a full-time student and who is a dependent is excluded to the extent that his/her salary exceeds \$480 per year – only the first \$480 is accounted for. The City of Pompano Beach program projects the household's income twelve (12) months forward from the date of the application. It will also look at the YTD income and current pay stubs and will use the higher projected income to establish household income.

After an application has been processed and third-party verifications are completed, the OHUI representative will conduct an income certification. The income certification will determine whether the applicant is approved. The OHUI will also need the property appraisal and home inspection report. If an applicant is approved, he/she will receive an approval letter. The applicant may present the approval letter to their mortgage lender/bank and in order to prove that he/she is approved to receive funds through the City of Pompano Beach.

Applicants who have been denied or deemed ineligible must wait one year before re-applying for Purchase Assistance.

ACTIVITY AND PROJECT DELIVERY COST

All staff working on the Purchase assistance program shall maintain time sheets of all hours spent on each activity related to the purchase assistance program. Activity delivery cost include:

1. Processing applications and meeting with clients or process documents
2. Setting up client file documents and uploading documents to Neighborly
3. Determining client income, income certification and issuing award letters
4. Preparing all loan and closing documents
5. Working with title company to coordinate closing
6. Requesting checks and coordinating expense with the finance Dept.
7. Closing file, updating files and documents

Time sheets reflecting time spent by employees in the administration of activities related to the purchase assistance program will be completed on a daily basis based on actual time spent by employees in purchase assistance activities and will be submitted to the accountant on a bi-weekly basis.

The accountant will reconcile and report all project delivery activity cost in IDIS.

HOMEOWNERSHIP AGREEMENT

Applicants who are approved for purchase assistance must enter into a Homebuyer Program Homeownership Agreement promptly after receiving notice of such approval.

For applicants receiving HOME funds, all household members 18 year of age or older will sign and date a completed HUD income calculator certification form obtained from the HUD website at the following link: <https://www.hudexchange.info/incomecalculator/>.

For applicants receiving SHIP funds, all household members 18 years of age or older shall sign and date a completed SHIP Resident Income Certification found at the following link: http://www.floridahousing.org/docs/default-source/programs/special-programs/ship---state-housing-initiatives-partnership-program/ship_homeownership_ric-2-15-version41ce58c2fb0d6fb69bf3ff00004a6e0f.doc?sfvrsn=2

At the time that the agreement with the applicant is executed, the staff will document and confirm the following:

1. The household income does not exceed 80% of the AMI for HOME funding approval and 140% for SHIP funding approval if program set asides have been met.

2. The subsidy needed does not exceed the maximum subsidy allowed.
3. The property value does not exceed the program limits.

The staff will ensure that the following documents are executed, signed and dated. The documents will be filed in the clients file and document will be uploaded to neighborly:

1. Homebuyer counseling certificate of not less than 8 hours provided by a HUD certified housing counseling agency not more than 1 year old.
2. A pre-approval letter from an approved lender.
3. Signed and dated form stating that the head of household has received the lead-based paint pamphlet as required by HUD.
4. A completed Home Mortgage qualification worksheet.

HOMEBUYER RESPONSIBILITY

Upon execution of the Homebuyer Homeownership Agreement the buyer must submit to the OHUI prior to closing:

1. A full inspection report performed by certified home inspector.
2. A certified appraisal performed by a licensed state appraiser.
3. Proof of 3% contribution of the purchase price by buyer. A total of 1.5% can be funded from the City provided down payment assistance.
4. When available, Lender appraisal and Buyer inspection should be submitted with applicant application.

IDIS PROJECT SET UP AND NEIGHBORLY SOFTWARE

Upon execution of the written agreement, the staff will provide a copy of the agreement to the staff accountant, who will set up the project in IDIS. A copy of the setup form shall be printed and included in the client file with the project set up number.

The staff executing the agreement with the homebuyer shall be responsible to update and upload all documents associated with the file into Neighborly Software.

PROPERTY INSPECTIONS

Immediately after signing and dating the Purchase Assistance Agreement, the staff qualifying the applicant will provide written notice to the housing inspector requesting a physical inspection of the property. Property inspections will be completed prior to closing date. The inspector will document the file as follows:

1. Complete a signed and dated inspection showing the property meets program standards. The inspector will ensure that all items required are inspected prior to closing based a physical inspection and document the file with a written report and pictures showing compliance.
2. A completed, signed and dated environmental inspection including all actions taken for compliance.
3. A lead-based paint inspection for all pre-1978 properties and actions required for compliance.

All documents when completed will be uploaded into the Neighborly Software and a copy placed in the client file.

NON-DISCRIMINATION AND EQUAL OPPORTUNITY

Each applicant applying for assistance under this program shall receive equal consideration regardless of race, creed, sex, national origin, family size, marital status, sexual orientation or disability.

Applicant with limited English proficiency will be assisted in accordance with the City's Limited English Proficiency Plan. Applicant with disabilities will be provided with reasonable accommodation.

RESPONSIBLE LENDING STANDARDS

ELIGIBLE PRIVATE SECTOR MORTGAGES

The City will provide assistance in combination with private sector mortgages which meet the following conditions:

- Fixed Interest Rate
- Terms of 15, 20, 25, or 30 years
- No balloon payments (except those associated with sale of the property)
- Adjustable Rate Mortgages are not eligible
- FHA, VA or Conventional loan only
- Lender can charge no more than 1% loan origination fee; and/or no more than 1% Brokers fee
- No discount points will be allowed

LENDER(S) RESPONSIBILITIES

It is the responsibility of the Lender/Broker to forward closing instructions to the Closing Agent.

The Lender will provide:

- Closing Information Letter (See Exhibit A for a sample letter; letter must be on letterhead)
- Preliminary CD Settlement Statement showing purchase assistance funds (unsigned for review; No Cash to Borrower)

- Title Commitment Paperwork (to include schedules A & B, with legal description, listing the City of Pompano Beach as one of the proposed insured on Schedule A as well as Schedule B.
- Appraisal – Must be FULL appraisal (no faxed copies)
- Home inspection – FULL inspection is required
- Home Re-inspection (if applicable)
- W.D.O. wood destroying organism report, termite – REQUIRED (Clear termite WDO/termite report must be submitted)
- Copy of 1st Mortgage Note – (must include interest rate and terms)
- Copy of FHFC Bond Mortgage & Note (if applicable)
- Copy of Applicant(s) full Credit Report (OHUI office gets this w/application)
- Final CD - Once approval is given, the final Closing Disclosure Settlement Statement cannot be changed.

TITLE COMPANY/CLOSING AGENT RESPONSIBILITIES

Title Company/Closing Agent will:

1. Compile all closing documents. When notified of final approval of documents, the closing agent will be notified to pick up the closing package from the Office of Housing & Urban Improvement, including the Participation Agreement.
2. Close loan;
3. Record all pages of the Note & Mortgage after closing. All documentary stamps and recording fee calculations are the responsibility of the Title/Closing Agent. Recording fees and Documentary Stamps apply. SHIP Program mortgages are exempt from intangible tax. The statutory basis for addressing intangible tax is outlined in Chapters 199 and 201, F.S. Section 199.183 (1), F.S.
4. Fax all pages of the signed original Note & Mortgage, signed final CD Statement and signed Homebuyer Program Assistance Agreement within 24 hours of closing to the OHUI;
5. Forward the original recorded Note & Mortgage after closing to the OHUI within 30 days of closing.
6. Below is a list of items needed for final approval at least two weeks before the scheduled closing date:
 - First Mortgage Loan Application (Form 1003)
 - Underwriting & Transmittal Summary (FHLMC Form 1077 or FNMA Form 1008)
 - First Mortgage Commitment Letter

- Home Inspection Report – Property Standards must be met.
- Copy of the Appraisal
- Executed Closing Statement
- Title Policy (City of Pompano Beach must be listed as an additional insured)
- Homeowner's Hazard and Flood Insurance Policy, if applicable (City of Pompano Beach must be listed as a mortgagee)
- Loan Disclosures
- CD Settlement Statement
- Executed First Mortgage & Promissory Note
- Copy of Recorded Warranty Deed
- Copy of Certificate of Occupancy for New Construction

The OHUI will communicate with the Title Company and bank to agree on a closing date and location. After a date is agreed upon by all parties, the OHUI will send the closing package with check to the closing agent.

An applicant is not allowed, under any circumstances, to receive cash back at closing.

HOMEBUYER REFINANCING STANDARD

Applicants who purchase a home under this program will be subject to the following refinancing standard:

1. All request for refinancing must be submitted in writing by the first mortgage lender providing the amount being refinanced, new loan terms, interest rate and closing cost.
2. The City will not subordinate any loans for cash out by the borrower.
3. If the borrowers monthly mortgage payment, interest rate and term are being reduced, the City may consider the subordination of its mortgage.
4. If the subordination is approved by the City, the subordination agreement will be created by the lender and submitted to the City for review by its City attorney prior to execution.
5. Once signed, the subordination agreement will be mailed to the lender for recording.
6. All cost associated with the recoding of the subordination agreement will be paid by borrower and or lender.
7. A copy of the recorded agreement along with title insurance, if purchased, will be provided the City no later than 30 days after the closing.
8. If new hazard and flood insurance is issued, the City will be named as an additional insured.

REPAYMENT AND DEFAULT

During the term of the loan, full repayment of the remaining obligation will be due upon the occurrence of one or more of the following events:

- If the mortgagor no longer resides in the home as a permanent residence, or homestead exemption is lost; or
- If any part of the property or any interest in it is sold or refinanced (procurement of new, additional financing), transferred, gifted or possession is otherwise conveyed to another person, without prior City approval and consistent with City policies, whether by voluntary act, involuntarily, by operation of law or otherwise. (A subordination of mortgage for the purpose of refinancing is subject to current subordination policies); or
- If the mortgagor is divested of title by judicial sale, levy or other proceedings; or
- If foreclosure is instituted against the property; or
- If the property is leased; subleased or rented.

In the event of the death of a recipient prior to the forgiveness date of final payment due date, the unforgiving portion of the mortgage shall be repaid to the City of Pompano Beach unless the property is assumed by a surviving household member, heir, or beneficiary, any one of whom must meet the applicable income qualifications and who also maintain the home as his/her/their primary residence and homestead. Any such assumption is subject to approval by the City.

In the case of foreclosure, or other involuntary loss of title or possession of the home by the recipient, repayment will be required in the full amount due, subject to the amount available from net proceeds of any judicial sale or other forced liquidation or refinancing. As an enhancement of its recapture strategies, in the event of a first mortgage foreclosure, the City may enter into a negotiated settlement with the first mortgagee for the sale or assignment of the City's interest at an amount less than the outstanding principal balance of the second mortgage. Alternatively, and with the objective of retaining the home as part of the local affordable housing stock, the City may negotiate the acquisition of the first mortgage at a discounted amount in connection with dismissal of the first mortgage foreclosure suit, or subject to Board approval.

The City's purchase assistance program is intended to assist income eligible households to obtain homeownership. It is understood that recipients may need to sell their homes for a variety of reasons including job transfers, marriage, and other occurrences that are a normal part of family life. For this reason, repayments of the loan are considered an approved part of this strategy and are not considered to be a "default." "Default" would be a foreclosure, or any action that would otherwise void the agreement, if the City is not notified of such action with 90 days.

The homeowner must sign a release allowing the City of Pompano Beach to give the payoff information to the mortgage/title company who is paying off the loan. The mortgage/title company will also provide a legible copy of the recorded note and mortgage along with the request and necessary release of information to the Office when requesting a payoff of loan. The OHUI will provide in writing to the requesting mortgage/title company the payoff amount. The payoff will state the number of days it's good for and where to send the check. The mortgage company/title company who is requesting a payoff of a loan will send a copy of the payoff fax and the payoff check in the correct amount made

payable to the City of Pompano Beach. The City of Pompano Beach will provide and record a satisfaction of mortgage.

TIMING AND REPORTING REQUIREMENTS

As Grantee, the City of Pompano Beach is required to submit status reports final reports for all activities and cost incurred. Grantee's progress is evaluated on a quarterly basis using quarterly report information to analyze progress on performance goals and financial assessment. Grantee will be evaluated in accordance with the funding agency guidelines.

PROJECT COMPLETION REPORTING

Staff responsible for the administration of the purchase assistance program will notify the staff accountant immediately upon receipt of the executed closing documents.

- A complete copy of the closing documents including the recorded mortgage documents will be uploaded to neighborly and a copy kept in the clients file.
- For HOME program funded loans, all required information for reporting the project as completed in IDIS will provided the staff accountant. The staff accountant will have 30 days from the date the loan closed to report the project as completed in IDIS. A copy of the closeout report will be uploaded to neighborly and a copy include in the client file.
- For loans receiving SHIP funds, the staff account will be required to update the SHIP tracking spreadsheet showing all required expenditures, dates and beneficiary data within 30 days of file closing.
- Staff will review all documents in the client file and neighborly to ensure that all documents have been properly executed and dated. All tracking spreadsheets and IDIS reports must be properly completed. All expenditures must be reconciled with the finance department.

MINIMUM RECAPTURE AND FORGIVENESS PERIODS

RECAPTURE PERIOD

The prorated amount of funds in the form of a subordinate mortgage deferral payment loan used for down-payment, purchase price and closing costs are subject to recapture when the initially-assisted homebuyer (or heir) sells; rents or refinances the assisted property within the Affordability Period.

If the Net Proceeds (defined below) from the sale, refinance or other transfer are greater than the total amount of Borrower's Investment, plus the balance due on the Note, then the owner will share the Net Proceeds of such sale, refinance or other transfer with the City, and will divide such proceeds pursuant to the following mathematical formula:

$$\frac{\text{Balance due on the Note}}{\text{Balance due on the Note} + \text{Net Proceeds}} \times \text{Net Proceeds} = \text{recaptured}$$

Balance due on the Note + Borrower Investment by Lender

$$\frac{\text{Borrower Investment}}{\text{Balance due on the Note + Borrower Investment}} \times \text{Net Proceeds} = \text{Amount to Borrower}$$

For the purposes of this program, the term "Net Proceeds" means the sales price of the Property, less the amount necessary to repay any superior loans secured by the Property, with the exception of the Note secured by the Mortgage and less any closing costs associated with such sale, refinance or other transfer.

FORGIVENESS PERIOD

Provided that borrower meets the provisions of the Note and Mortgage, the Principal balance due on the Note shall be reduced on an annual basis on the anniversary of the date of this Note ("Period of Forgiveness") at a rate of twenty percent (20%) per year for five (5) years beginning on the sixteenth (16th) anniversary of the date of this Note. They shall be totally forgiven after expiration of the affordability period.

A default occurs if the assisted property sale, transfer, or conveyance of property; conversion to a rental property; loss of homestead exemption status; or failure to occupy the home as primary residence during the Affordability period.

If the assisted property is sold, rented or refinanced during the forgiveness period, the amount of the repayment required will be prorated by the number of full years the assisted owner occupied the property during the forgiveness period. For example, if the City held a second mortgage of \$20,000 on a property and it was sold 2 years and 6 months after the recapture period started, then 40% (2 full years/5-year recapture period) of the original \$20,000 loan would be forgiven (\$8,000) making the repayment amount due \$12,000.

All repaid mortgage funds shall be used to support other eligible activities.

These recapture provisions shall be included in the note and mortgage evidencing and securing the - funded subordinate mortgage loan.

SUBRECIPIENT REPORTING

The Grantee and Sub-recipients will be expected to collect and report information about the uses of funds, including, but not limited to:

Project name	Funding source and total amount of any non-funds
Identify partner for activity	Beginning and ending dates of activities
Activity	Numbers of low- and moderate-income persons or households benefiting

Itemization of funds for activity	Purchase amount for each property
Location	Discount amount
National objective	Data needed to support performance measures
Funds budgeted and expended	Subsidy Amount

Quarterly Reporting

OHUI is responsible to report to HUD on a quarterly basis using IDIS, HUD's online database system. HUD requires quarterly reporting in IDIS for every activity awarded HOME funds. OHUI must provide updates of their itemization of obligated and expended funds per project. OHUI has a spreadsheet template to use reflecting detail of all costs associated with each activity. Timely and accurate reports are important.

Record Retention Policy

OHUI is committed to proper maintenance and retention of records. All records, both paper and electronic, pertaining to the City's Purchase Assistance Program must be retained for at least five years in accordance with federal and state guidelines.

All records pertaining to each fiscal year of HOME/SHIP funds must be retained for the most recent five-year period, except as provided below:

For purchase assistance projects, recapture records must be retained for five years after the period of affordability terminates and written agreements must be retained for five years after the agreement terminates.

Lead-Based Paint information and records must be kept at least three years.

All records that have met retention requirements will be destroyed in accordance with the City's record retention policy.

DEFINITIONS AND REFERENCES

Abandoned: A home is abandoned when mortgage or tax foreclosure proceedings have been initiated for the property, no mortgage or tax payments have been made by the property owner for at least 90 days, AND the property has been vacant for at least 90 days.

Affordable : The total housing debt to income ratio not to exceed twenty eight percent (33%) of applicants confirmed gross monthly income and to not exceed forty-five (45%) of the total overall monthly debt to income ratio. **If extenuating circumstances exist which require that the housing debt to income ratio exceeds the set limits, then the OHUI Director is authorized to increase the limit in a case-by-case scenario.**

Affordability Period: A term of twenty (20) years with 20% reduction after the 16th year for the last five years from the date of the Note unless terminated at an earlier date as provided in the Mortgage.

Blighted Structure: The structure exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare.

CHDO: Means a Community Housing Development Organization.

City: The City of Pompano Beach.

Construction: The construction of a new home or the rehabilitation of an existing home.

Current Market Appraisal: The appraisals are made in conformity with the appraisal requirements of the URA at 49 CFR 24.103 and completed within 60 days prior to an offer made for the property by a grantee, Sub-recipient, developer, or individual homebuyer.

Debt: Any obligation that will hinder the Household's monthly mortgage payment, to include and not limited to child-care, car payments, loans, and child support.

Default: A default shall be the occurrence of any of the following events, and upon that occurrence the Lender may, at the Lender's option, declare all sums secured by the Mortgage to be immediately due and payable.

1. Nonperformance by the Borrower of any covenant, agreement, term or condition of the Mortgage, or of the Note, or of any other agreement made by the Borrower with the Lender in connection with such indebtedness, after the Borrower has been given due notice, as described hereafter, by the Lender of such nonperformance.
2. Failure of the Borrower to perform any covenant, agreement, term or condition in any instrument creating a lien upon the mortgaged property, or any part thereof, which shall have priority over the lien of the Mortgage.
3. The Lender's discovery of the Borrower's failure in any application of the Borrower to the Lender to disclose any fact deemed by the Lender to be material, or the making therein, or in any of the agreements entered into by the Borrower with the Lender (including, but not limited to, the Note and Mortgage) of any misrepresentation by, on behalf of, or for the benefit of the Borrower.
4. If there is a sale, transfer, or conveyance of property; conversion to a rental property; loss of homestead exemption status; or failure to occupy the home as primary residence.

Deferred Payment Loan: Funds provided to a borrower under terms that call for the repayment to be delayed for a certain length of time, until certain circumstances change, or a certain threshold is met.

Developer: Non-profit or for-profit organization that arranges and completes deals.

Director: The individual designated as the Director of the Office of Housing and Urban Improvement for the City of Pompano Beach.

Eligible Family: A family who is eligible to participate in the Purchase Assistance Program as defined in these guidelines.

Fair Market Appraised Value : The value of a foreclosed home or residential property that is established through an appraisal made in conformity with the appraisal requirements of the URA at 49 CFR 24.103 and completed within 60 days prior to an offer made for the property by a grantee, sub recipient, developer or individual home buyer.

Fore closed: A property “has been foreclosed upon” at the point that, under state or local law, the mortgage or tax foreclosure is complete. HUD generally will not consider a foreclosure to be complete until after the title for the property has been transferred from the former homeowner under some type of foreclosure proceedings.

Forgivable Loan: A loan with no repayment obligation if program requirements are met for a specified period of time.

Forgiveness Period: The loan will be forgiven at the end of the 20-year affordability period if not default occurs.

Grantee: Public agency recipient of funds from HUD.

Household: Immediate members of a family living together who may be expected to contribute to the income of the household for a substantial period of the term of the loan. Household may also include unmarried adults living in the same unit as the applicant if they are expected to contribute to the income of the household for a substantial period of the term of the loan.

Income : The gross amounts received from all sources by every person residing in the dwelling including wages, pension, social security, interest, rent dividends, etc. in accordance with 24 CFR part 5.

Income limits : The maximum amounts that can be earned to qualify for the specific assistance category based on the family size (those actually living in the dwelling unit). This figure is derived from a percentage of the median income for Broward as determined by the HUD.

IDIS: Integrated Disbursement Information System – Set up and reporting all HOME program activities

Loan: An advance of funds that is secured by a mortgage on the property.

Low Income Eligible Family: A family with an income up to 80% of the Area Median Income as determined by HUD and who is eligible to participate in the Purchase Assistance Program as defined in these guidelines.

Mode rate Income: : A family with an income up to 120% of the Area Median Income as determined by HUD and who is eligible to participate in the Purchase Assistance Program as defined in these guidelines.

Net Proceeds: The sales price of the Property, less the amount necessary to repay any superior loans secured by the Property, with the exception of the Note secured by this Mortgage and less any closing costs associated with such sale, refinance or other transfer.

OHUI: The City of Pompano Beach Office of Housing and Urban Improvement.

Owner Occupant: The title holder to a residential property which is their official primary residence that they occupy. To participate in the program, the applicant must become an owner-occupant.

Principal Residence : The Household must utilize the property as their primary residence, as established by eligibility for the State Department of Revenue Property Tax Homestead Exemption.

Program: The policies and procedures set forth in this document for the Purchase Assistance Program.

Property Standards: Means the assisted housing unit must meet local building codes and the lead-based paint requirements in s. 92.355 upon project completion.

Real Estate Owned Properties (REO): A class of property owned by a lender, typically a bank, after an unsuccessful sale at a foreclosure auction. A bank will typically set the opening bid at a foreclosure auction for at least the outstanding loan amount. If there are no bidders that are interested, then the bank will legally repossess the property. As soon as the bank repossesses the property, it is listed on their books as REO – Real Estate Owned – and is categorized as an asset (non-performing).

Recapture Period: The 20 year of the Affordability period which, if the property is sold, refinanced or transferred, the City will share in the net proceeds.

Rehabilitation : All HOME assisted units must meet, at a minimum, the Florida Existing Building Code approved by the City of Pompano Beach and the Program's written rehabilitation standards. Properties must meet local codes, including zoning regulations. The SHIP Program further defines rehabilitation as repairs or improvements that are needed for safe or sanitary habitation, correction of substantial code violation, or the creation of additional living space.

SHIP: State Housing Initiatives Partnership Program administered by the Florida Housing Finance Corporation.

Sub-recipient: Public agency or nonprofit that administers program for grantee, who must follow regulations and policies established by Congress and grantee.

Underwriting: Under the provision 92.250 of the HOME rules

Vacant: Unoccupied structures or vacant land that was once developed.

Verifying Liquid Assets: The city will verify the applicant's liquid assets as part of determining the applicant's net worth. The liquid assets may be cash on deposit, cash on hand; cash surrender value of life insurance, proceed from the sale of marketable securities or other assets, gifts of cash or cash equivalents.

Very Low Income: A family with an income up to 50% of the Area Median Income as determined by HUD and who is eligible to participate in the Purchase Assistance Program as defined in these guide lines.

Written Agreements: Agreement between the City and homeowner outlining the program policy and procedures.

REFERENCES

1. Uniform Administrative Requirements:
 - Attachment E to OMB Circular A-102, Uniform Requirements for Assistance to State and Local Governments (24 CFR Part 85).
 - Nonprofits are required to follow OMB Circular A-110 24 CFR Part 84.
2. 24 CFR, Subpart J, paragraph 570.506, Program Income.
3. 24 CFR 570, Subpart I, paragraph 570.494(b), Program Income.
4. Section 104(i) of Title I of the Housing and Community Development Act of 1974 as amended.
5. Cost Principles
 - State and local governments are required to follow OMB Circular A-87 (2 CFR Part 225).
 - Nonprofits are required to follow OMB Circular A-122 (2 CFR Part 230).
6. Audits:
 - State, local governments, and nonprofits are required to follow OMB circular A-133.
7. SHIP Rule 67-37
8. SHIP Statute 420.907- 907

APPENDIX 1 - CERTIFIED HOMEBUYER COUNSELING AGENCIES

HOUSING FOUNDATION OF AMERICA
2400 NE University Drive, #200
Pembroke Pines, FL 33024
954/923-5001
<http://www.mortgagegrants.com/>

HAVEN ECONOMIC DEVELOPMENT, INC.
1220 S.W. 53rd Street, Suite 504
Cooper City, FL 33330
954/423-1637

NEIGHBORHOOD HOUSING SERVICES
2800 Oakland Park Blvd., Suite 301
Ft. Lauderdale, FL 33311
954/564-4037 Extensions 1100 & 1127

DEERFIELD BEACH HOUSING AUTHORITY
533 S. Dixie Highway
Deerfield Beach, FL 33441
954/425-8449 Ext. 110

NEW VISIONS COMMUNITY
DEVELOPMENT CORP.
950 NW 11th Avenue
Ft. Lauderdale, FL 33311
954/768-0920

CONS UMER CREDIT AND
BUDGET COUNSELING, INC. (ONLINE)
<http://www.cc-bc.com/>

URBAN LEAGUE OF BROWARD COUNTY
3521 W. Broward Blvd, Suite 201
Fort Lauderdale, FL 33312
954/584-0777
954/625-2570
<http://www.ulbroward.org>

CONSOLIDATED CREDIT COUNSELING
SERVICES (SE HABLA ESPANOL)
5701 W. Sunrise Blvd.
866/435-1876
Class cost is \$75.00 (fee includes credit
counseling and certificate).
Classes are given on the second and third
Thursday of each month.

OASIS OF HOPE COMMUNITY
DEVELOPMENT CORPORATION, INC.
600 SW 3 Street, Suite 2290, Pompano Beach,
FL 33060
954-586-1283 Office
954-586-1114 Fax
www.oasiscdc.org

** The City of Pompano Beach does not in any way endorse or support any of the above. This is for information only!*

APPENDIX 2 - TITLE COMPANY LETTER

Date

Title Company

Address

City, State Zip Code

Dear _____:

Enclosed please find **Check No. XXXXX** in the amount of **\$ XX,XXX** (purchase assistance from the City of Pompano Beach) for **John Doe** who has been approved to participate in the City of Pompano Beach's Affordable Housing Program for First Time Homebuyers.

Also, enclosed is the original City's Mortgage and Promissory Note that must be executed by the client at the mortgage closing and forwarded to Broward County Recording Division. After the closing is complete, please forward the following documents:

- **Original Executed Settlement Statement**
- Copy of executed Mortgage Application package from lender
- Copy of City's executed **unrecorded** Mortgage and Note
- City's **original** recorded Mortgage and Note

Please be advised under no circumstances is cash to be disbursed to the borrower. Any funds remaining from this transaction must be applied to the client's principal loan balance. Prior to closing, please forward the CD Settlement Statement to this office via Email – OHUI@copbfl.com for review.

If you have any questions or need additional information, please call me.

Sincerely,

Miriam Carrillo, Director

Office of Housing and Urban Improvement

Enclosure(s)