

# City of Pembroke Pines

## Neighborhood Stabilization Program (NSP)

### HOME BUYERS

#### Frequently Asked Questions

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#### Q. What type of assistance is available?

The City will assist with the purchase and qualified repairs of a foreclosed property within designated NSP target areas within the City.

#### Q. Who is eligible to receive assistance?

Low-to-middle income households who do not own any other residential properties and who intend to occupy the property as their primary residence are eligible to receive assistance.

#### Q. Are there income guidelines for this program?

Yes. The City's NSP Purchase Assistance Program is designed to assist low-to-middle income households purchase a NSP eligible property. Income limits are established by the Federal government and adjusted for the number of people who live in your household. The program verifies your *current* household income and projects it 12 months forward to determine income eligibility. Please refer to the income limits chart as a guide. This is the first step in determining if you qualify for purchase assistance from the City

#### Q. What do I do after I determine I meet the income guidelines?

After determining you meet the program income guidelines, you must get-pre approved or pre-qualified for a mortgage by a lender on City's registered lenders' list. The City's purchase assistance/subsidy is a second mortgage to assist with down payment, closing cost and principal buy down only. The City is not providing funds for the entire purchase of your home.

#### Q. How much assistance is the City providing?

The Amount of assistance will vary by income level. Please refer to program application.

#### Q. Is this a grant or a loan?

The assistance provided by the City is in the form of a **0% interest deferred loan**. A deferred loan means that you will not have to make payments on the assistance provided by the City. You will not be required to pay the loan back as long as the property remains your primary residence (homestead property) and there is no change in title or ownership during the term of the deferred loan. A buyer may refinance at anytime during the affordability period, however if any cash is taken from the equity of the property, the loan will become due in full.

**Q. Do I have to purchase a foreclosed property?**

You must purchase a property that meets NSP guidelines. Please refer to program application. The City's NSP program is designed to address the number of foreclosed and vacant properties in the community and make an impact on targeted areas.

**Q. Is there a specific area where I must purchase?**

Yes. The City has a designated target area that is a priority for stabilization. Please refer to the City's target area map included in the program application.

**Q. How long do I have to find a property or receive assistance?**

Funds will not be reserved until an executed purchase contract is on file. Funds are limited and available on a first come, first served basis. Applications and purchase contracts will be accepted until funds are fully committed or sufficient applicants have been received.

**Q. Do I need to be a first-time homebuyer?**

No. Under the City's NSP program this is not a requirement. However, at the time of application and prior to closing, you can not own any other residential property.

**Q. How long will it take to know if I am approved?**

Once the City begins to accept applications for the NSP program, you will be required to submit your mortgage pre-approval and the City's purchase assistance application. Only complete applications will be processed. All information (income, assets, etc) presented on your purchase assistance application must be verified by third-party. You will receive a pre-approval based on your initial intake appointment.

**Q. Do I have to make a financial contribution towards the purchase of the home?**

Yes. You must contribute a MINIMUM of 1% of the purchase price of your own verifiable funds toward the transaction, however lenders may require more. For a typical FHA loan, the required down payment is 3.5% of the purchase price. Please consult with your lender regarding your contribution to the transaction.

**Q. Can my required 1% be a gift?**

No. You must have at least 1% of the purchase price of your own verifiable funds to contribute to the transaction.

**Q. Is it necessary to be a current resident of the City to apply for this assistance?**

No. You do not have to be a current resident of the City.

**Q. Can I choose any property?**

No. Eligible properties include any single family home, condo, townhouse, or villa that meet NSP guidelines and are located within the NSP priority area. Please see program application.



**Q. Can I use the assistance from the City for my down payment?**

Yes, a portion of the lender's required down payment can be applied toward the down payment.

**Q. Can I use the money for my closing costs?**

Yes. The money can be used for 100% of your closing cost as long as it is approved by the lender.

**Q. Can I use the money to lower the principal amount of the loan?**

Yes. If you qualify the assistance can be used to reduce the principal of the loan based on the lender's approval and the program's underwriting criteria.

**Q. Will I receive a check from the City to purchase or make repairs?**

No. Assistance will never be paid directly to the applicant. Loans and payments will be made on your behalf by the City.

**Q. Is there a limit to the purchase price of my new home?**

Yes. The purchase price may not exceed \$250,000.

**Q. Do I have to pay the money back?**

No. The assistance from the City is financed in the form of a 0% interest, deferred payment loan secured by a second mortgage and a promissory note held by the City. The loan will be forgiven in its entirety at the end of the affordability period described in the terms of your mortgage. The term of the loan begins at the date of settlement. If the property is sold or the title is transferred before the end of the affordability period is over, all or part of the loan must be paid back –depending on the City you are receiving assistance from.

**Q. I am married. Can I apply by myself?**

No. Your spouse will have to apply with you.

**Q. My spouse is out of the country, can I apply by myself?**

No. He/she will have to fill out the entire application as a co-applicant.

**Q. I am separated from my spouse. Can I still apply for assistance?**

Only if you can verify separation by providing your personal federal income tax returns for the last 5 consecutive years and provide further evidence that your spouse no longer lives with you. For example a copy of spouse's driver's license and utility bill, showing spouse's current address.

**Q. Do I need to be able to show proof of residency for my spouse?**

Yes. If you are married your spouse must be on the application and both of you must show proof of residency.

**Q. Can I use a friend or relative to help me qualify?**

Only individuals who are going to live in the property can be used to qualify. Non occupying co-borrowers are not allowed for this program.

**Q. Do I have to search for a property on my own?**

No. You may work with any realtor or other professional or search independently for your desired property. The City is not responsible for finding the property for you.

**Q. Can I use my own lender?**

A list of registered lenders is available online. You must contact of these lenders for your pre-approval. All lenders must be a lenders approved by FHA, submit the registration form and other required documents and agree to follow the underwriting criteria.

**Q. Do I need good credit to receive assistance?**

Credit will be reviewed by the mortgage lenders. Approved lenders are using specific underwriting criteria to determine whether you qualify for a mortgage. The City's purchase assistance program requires that you must obtain a pre-qualification or pre-approval letter from an approved lender in order to submit a purchase assistance application to the City.

**Q. Will I know how much I can afford?**

Yes. You must get pre-approved/pre-qualified for an amount you can afford by a lender before you submit your application for NSP assistance.

**Q. Can I purchase a new construction property?**

No. The property must be an eligible NSP property.

**Q. Will I ever be able to refinance my home?**

You will be able to refinance your home at any time; however, if you refinance your home and take cash from the equity of your home during the affordability period, the loan will become due in full.

**Q. Can I get a house for free?**

No. The maximum benefit to any applicant is limited to 20-50% of the purchase price, depending on your income classification. The City has program guidelines in place to prevent over subsidizing any property.



## Neighborhood Stabilization Program

### REAL ESTATE AGENTS

#### Frequently Asked Questions

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**Q. Who is my main point of contact?**

The Realtor/agent's main point of contact will be the lender. The lender will be in contact with CRA to ensure a smooth process and keep all parties updated.

**Q. How long does the process take?**

Once a completed pre-approval from the lender, completed program application, **and** executed purchase contract is on file, our performance standard is to complete processing in 3-4 weeks. The program will work with your closing date which should be 30 to 45 days from contract execution.

**Q. How long do they have to find a property?**

Funds will not be reserved until an executed purchase contract is on file. Funds are available on a first come, first served basis. Applications and purchase contracts will be accepted until funds are fully committed or sufficient applications have been received.

**Q. What properties are eligible for the program?**

SFR, Condos, Town homes, and Villas that meet the NSP3 criteria and are located within the City's NSP target areas. Please see program application.

**Q. Are there any requirements to the contract needed for the program?**

Yes. There is an addendum that will be required to be included in each sales contract. The seller must be aware of NSP program guidelines. Every contract must also have a financing contingency included.

**Q. Do we need an inspection done on the property?**

Yes, a full property inspection is required with estimate of repairs. An open permit, liens or code inspection must be performed. A full termite, roof, and pest inspection must be done. Appraisals should be done as part of the financing contingency (including the assistance from the City).

**Q. Who is responsible to pay for the inspection?**

The buyer is responsible for the cost of the inspections and appraisal. The cost of the inspections and appraisal can be included in the buyer's 1% minimum contribution toward the purchase.

**Q. Can the appraisal be done by any appraiser?**

The appraisal has to be completed by a licensed appraiser within 60 days of closing. If the borrower is pre-approved for an FHA loan, the appraiser must be FHA approved. Be aware that most lenders require that you use one of their approved appraisers.

**Q. Can the buyer use these funds for home repairs?**

Once the buyer qualifies for the home purchase assistance funds, they will also be eligible for **additional** funds to help with qualified home repairs. One application process applies to both forms of assistance.

**Q. What type of improvements can be made?**

Correction of any building code violations, correct any health or safety problems in the home, provide safe electrical and mechanical systems, stop weather penetration, help make home more energy efficient, help improve general condition of the home and its structures. The program also addresses general non-luxury type repairs.

**Q. When will repairs be done?**

The repair process will begin once the property has been purchased and the closing has taken place. In some cases the lender may require that the funds be put in escrow to complete the repairs as a condition of the closing or the applicant may qualify for a purchase/rehabilitation loan from their lender. In most, CRA will facilitate the home repair process. A home repair inspector will prepare work specifications and facilitate a bidding process through the use of approved general contractors. In these cases, the City will pay the contractor directly. Applicants should not initiate their own repairs after closing.

**Q. How long do they have to do the repairs?**

The repairs timeline is targeted at 120 days. Thirty days to pull the permits and 90 days to have the work completed. However, please be advised that repairs may take longer depending on extent of work. Applicants must be aware they may not be able to move into the property right away in many circumstances. Applicants must prepare accordingly before applying for assistance.

**Q. How are illegal additions addressed?**

Illegal additions are code violations. Illegal additions are restored to the original state prior to the addition not being made. Construction done without a permit is a code violation. Ensure the buyer knows what he/she is purchasing.

**Q. Can the buyer find their own contractor to complete the repairs?**

In the situation where the City is providing additional funds for home repair, no. The repair specifications will be put out for an open bid to a list of pre-approved contractors and the lowest, most responsive bidder will be assigned the project. As the new property owner, the buyer will be involved in this process and will be required to sign off on the final scope of work to be completed and attend the pre-bid meeting with the contractors and program inspectors.



**Q. What happens if the repairs are more than the maximum allowed award?**

This will be reviewed on a case by case basis to address major code, health and safety issues that may be present in the unit.

**Q. What happens if the repairs are less than the approved amount of the award?**

Only the amount of the approved repairs will be paid to the contractor doing the repairs. No one can receive cash back from the program.

**Q. Can the buyer live in the property while the repairs are being done?**

If the unit is habitable with minor repairs being completed, yes.

**Q. How is the home repair money distributed?**

The home repair money will be distributed as a 3<sup>rd</sup> lien on the property with 0% interest and will be forgiven at the end of the pre-approved affordability period. This assistance is not calculated into the combined loan to value at the time of purchase.

**Q. Can the funds be used to add an addition to the home?**

No, the funds should be used for necessary minor repairs. It is not meant for major structural repair or adding on to the property.