

**PASCO COUNTY COMMUNITY DEVELOPMENT
HOMEBUYER ASSISTANCE PROGRAMS**

**LENDER'S MANUAL
March 4, 2008**

PART ONE: THE HOMEBUYER ASSISTANCE PROGRAM (HAP)

Introduction

Pasco County started the Homebuyer Assistance Program (HAP) in 1992. Funding became available when the State of Florida authorized the State Housing Initiatives Partnership (SHIP) Program, giving local communities a guaranteed funding source for housing. Pasco County, seeing that the renters could not save the required down payment, and knowing that homeowners made for a safer and more stable community, made that a priority for the SHIP Program.

Who is eligible?

The HAP is available to families earning less than 120% of the median income for the Tampa Bay area. SHIP requires that 30% of all funds be spent on families earning less than 50% of the median income, and another 30% be reserved for families earning 51% -80% of the median income.

TABLE ONE: INCOME LEVELS

All members of the household must be included in the income calculation, not just the persons on the loan. Minors under 18 do not have their incomes included.

This is not a first time home buyer program – there is no restriction on prior ownership, and the applicant can own a house at the time of application.

| | | 1 | 2 | 3 | 4 | 5 | 6 |
|--------------------------------|-----------------|--------------|--------------|--------------|--------------|--------------|--------------|
| VERY LOW INCOME | Hourly | \$ 9.52 | \$ 10.87 | \$ 12.24 | \$ 13.58 | \$ 14.66 | \$ 15.75 |
| | Monthly | \$ 1,650.00 | \$ 1,883.33 | \$ 2,120.83 | \$ 2,354.17 | \$ 2,541.67 | \$ 2,729.17 |
| | Annually | \$ 19,800.00 | \$ 22,600.00 | \$ 25,450.00 | \$ 28,250.00 | \$ 30,500.00 | \$ 32,750.00 |
| LOW INCOME | Hourly | \$ 15.22 | \$ 17.38 | \$ 19.57 | \$ 21.73 | \$ 23.46 | \$ 25.22 |
| | Monthly | \$ 2,637.50 | \$ 3,012.50 | \$ 3,391.67 | \$ 3,766.67 | \$ 4,066.67 | \$ 4,370.83 |
| | Annually | \$ 31,650.00 | \$ 36,150.00 | \$ 40,700.00 | \$ 45,200.00 | \$ 48,800.00 | \$ 52,450.00 |
| MOD INCOME | Hourly | \$ 22.85 | \$ 26.08 | \$ 29.37 | \$ 32.60 | \$ 35.19 | \$ 37.79 |
| | Monthly | \$ 3,960.00 | \$ 4,520.00 | \$ 5,090.00 | \$ 5,650.00 | \$ 6,100.00 | \$ 6,550.00 |
| | Annually | \$ 47,520.00 | \$ 54,240.00 | \$ 61,080.00 | \$ 67,800.00 | \$ 73,200.00 | \$ 78,600.00 |

What kind of housing units are eligible?

All types of housing units are eligible for this program. These include single family homes, condominiums, and town homes. Manufactured homes that have a Department of Community Affairs (DCA) seal affixed are eligible. This is a special designation, and is not the same as “HUD” approved. Manufactured homes that have the DCA seal must be inspected by Division staff before approval can be granted. See Appendix 1 for a depiction of the seal.

Units assisted must abide by the SHIP maximum sales price: \$240,000,. The HAP can also fund the construction of a new house on land the applicant owns, as long as the value of the property after the house is constructed is less than \$240,000.

What does the buyer have to put into the purchase?

The buyer must put some of their own funds into the purchase of the home. The amount that they put down depends on their income level.

- Very-Low Income-- \$ 500.00
- Low Income-- \$ 1,250.00
- Moderate Income-- \$ 1,500.00

This amount can be cash from the borrower or a gift from a family member. Also, if the lender requires the borrower to pay off debts as a condition of approval, those amounts can be used as part of the minimum investment. If the borrower is building on land they own, the equity in the land can be used as the minimum investment. Builder or seller contribution is not eligible.

Buyer may only go to courses through the County’s counseling partner, Consumer Credit Counseling (CCC) Service, and only the ones that are sponsored by Pasco County. Other homebuyer classes are not eligible. Classes are taught twice per month, for a two three hour sessions. Please contact them for more information:
(727) 845-5654

To make a reservation for a class, they must call:

(800) 741-7040 option 4

Additionally, homebuyers are required to go through an individual counseling session with CCC after they have been approved by the County.

How much can be borrowed?

Pasco County is available to fund the gap between what the borrower can put down and what the lender can lend. However, what can be lent is limited by the following:

TABLE TWO: CAPS ON LENDING

| Family Size | Very Low Income | | Low Income | | Moderate Income | |
|-------------|-----------------|----------|------------|----------|-----------------|----------|
| | Existing | New Home | Existing | New Home | Existing | New Home |
| 1 | \$40,000 | \$50,000 | \$15,000 | \$20,000 | \$10,000 | \$15,000 |
| 2 | \$45,000 | \$55,000 | \$18,000 | \$25,000 | \$13,000 | \$15,000 |
| 3 | \$50,000 | \$60,000 | \$21,000 | \$25,000 | \$18,000 | \$20,000 |
| 4 | \$55,000 | \$65,000 | \$24,000 | \$30,000 | \$21,000 | \$25,000 |
| 5 | \$60,000 | \$70,000 | \$27,000 | \$35,000 | \$24,000 | \$25,000 |

In the determination of the loan size, a lot of discretion is given to the lender. The lender must see what the maximum amount that the borrower can comfortably put down themselves, and the maximum amount that the lender can lend. Just because the borrower wants the maximum amount of County funds is not a sufficient reason to lend it to them. Also, if the lender can lend the full amount, and the borrower does not have excessive ratios, then it would not be necessary for the County to lend any funds to the borrower.

However, it should also be pointed out that it is not the County’s goal to bleed a borrower’s assets dry. It is recognized that a new homeowner will need some resources in their new home. Also, it is recognized that many

senior households live off the interest of their accounts. Each homebuyer needs to be looked at individually if there are questions about this issue.

How and when to reserve funds

Before an application can be submitted, funds need to be reserved for the borrower by the lender. This is not done by the borrower. The lender must fax a reservation form to the County, at (727) 834-3450. Please see Appendix #2 for the form.

Reservations may be done when the application is taken. If later the application is denied or cancelled, the lender will need to call the County to cancel the funds so the money can help other applicants. Reservations are good for 60 days.

The County's loan program

The County's funds are given in the form of low interest loans, which may be deferred if the payments are not affordable to the homebuyer. The interest rate is 0%. The loans can be amortized up to 30 years. Normally, the County's payback loans will not increase the client's ratios beyond 28%, on the front end and 38% on the back-end.

If the loan payment cannot get under those ratios, the loan can then be deferred for 5 years. No payments are made. At the end of five years, the loan payments will begin. The client will know what the payments will be and when they will have to start paying at initial loan signing.

If the borrower converts the house to a rental unit, or if they vacate the house, the loan becomes a payback loan at 6% interest or 3% percent higher than the prime rate, whichever is more. On loans that are closed after May 1, 2008, the loan will be due in full immediately.

FHA loans are the only ones that are assumable.

Shared Equity

If a homebuyer receives assistance from Pasco County to buy a home and sells it in less than 5 years, they will have to "share" some of that profit with the County, in addition to paying back the loan.

The rules are as follows:

A. If the homebuyer sells or transfers the home within the first three years of assistance from the County, the County shall share 50% of the appreciated sales price with the homebuyer, in addition to the loan balance due the County. If the homebuyer sells or transfers the home in the fourth and fifth year of assistance from the County, the County shall share 25% of the appreciated sales price with the homebuyer, in addition to the loan balance due the County.

B.If the homebuyer has performed any improvements on the property that required a building permit, that cost shall be added to the basis of the initial sales price in the determination of the shared equity. We will check permits and subsequent inspections.

C.If the homebuyer sells the property to a family member, spouse or ex-spouse, or any other friend or acquaintance, the Community Development Division may order an appraisal to determine if the sales price is equitable, and require the shared equity amount to be determined by that valuation.

D. Appreciation is defined as the gain a homebuyer receives from the sale of their home, less any reasonable title and real estate costs.

E. Under no condition shall the shared-equity amount be more than double the original County assistance.

For example, a home is purchased for \$90,000, with \$15,000 in assistance from the County. Two years later, the house is sold for \$110,000. After paying the first mortgage, the County loan, and title costs, the balance is \$17,000. An additional \$8,500 would be paid to the County, and the homeowner would receive \$8,500.

Let's say that before the property was sold a room was added, and it cost \$10,000. The proper permits were received to have it done, and the client has kept all of their receipts from the project. When they sell the house, they send us that information, and we now tell the title company that the shared equity penalty amount is \$3,500 ($\$17,000 - \$10,000 = \$7,000$; $\$7,000 \times 50\% = \$3,500$).

Now let's change the example. Real estate prices are really escalating. Instead of selling the house for \$110,000, they sell it for \$175,000. After paying the first mortgage, the County loan, and title costs, the balance is \$83,000. An additional \$30,000 would be paid to the County, and they would receive \$53,000.

Homeowners may want to refinance their loan to reduce the payments or to improve the home (we do not allow refinancing to pull money out of the home for any other purpose, such as paying off bills). Many times, the lender will pay-off the County's loan as part of that transaction. While we will accept the pay-off and agree to subordinate our loan, the loan will not be satisfied until the five years has expired or the house is sold, whichever is first.

This new rule takes effect January 1, 2006.

Also, this is acceptable to FHA.

PART TWO: THE PURCHASE/REHAB PROGRAM

Introduction

The County also has funds to assist homebuyers that are buying homes that need repairs. The Purchase/Rehab Program (PRP) can be done in combination with the HAP, or separately. This program has been used all over the County, and especially in the older housing areas of Dade City and New Port Richey.

What kind of units are eligible?

The same types of units that were eligible under the HAP are eligible under the PRP.

What does the buyer have to put into the purchase?

Nothing. There is no County minimum requirement like the HAP.

How much can be borrowed from the County?

There is no limitation chart. However, two factors can limit the amount of assistance. One is the valuation limitation for existing homes, that was listed above. The second factor is loan-to-value. The maximum loan to value of a PRP is 110% (County loan plus lender loan).

How and when to reserve funds

This is done the same way as the HAP. The section of the reservation reserved for purchase-rehab, must be filled out. Also call Community Development and inform the processor (currently Pam) that a Purchase/Rehab has just been reserved. A County Housing Specialist will then go to the house with the buyer and prepare a work estimate for the repairs.. When the estimate is completed, it is sent back to the lender, who gives it to the appraiser to prepare an after-rehab appraisal. After this point, there may be no more rehabilitation work done on the property until after closing.

Among eligible repairs that can be done include: create additional living space; correct substantial code violations, such as bad roofs and ceilings; upgrade electrical, heating, sewer, or water facilities; and make handicapped modifications.

The County's Loan Program

The loan rules are the same as the HAP. This program is approved by FHA.

What happens at and after closing?

After closing, the process of contractor selection shall begin. If the applicant has a contractor in mind, and his bid is within ten percent of the County's estimate, he can be selected. If not, the County will bid out the project on behalf of the homebuyer to a list of over 30 contractors that are on the County's contractor list.

An open house will be held at the property, giving the contractors the opportunity to take a look at the home. Bids are submitted to the County, and any contractor within 10% of the County's estimate may be selected by the homebuyer.

What happens during construction?

After a contractor is selected, a contract will be signed. Depending on the size of the job, it may take up to 90 days to complete, but usually it does not take longer than 45 days. Both the owner and the County must approve all payments to the contractor. This is in addition to the City or County building inspections.

At final payment, the contractor obtains a release of lien from all subcontractors and delivers all material warranties. The contractor warranties all work that he has done for one year from final inspection.

Special Notes for Fannie Mae Loans

If a client has a Fannie Mae loan, and a catastrophic event occurs (borrower's death or divorce, an extended illness of the borrower or a close family member who depends primarily on the borrower for support) the following shall occur: the release of the portion of the existing second mortgage lien that results in the combined loan-to-value ratio being more than 100% of the value of the property, with no forgiveness of that portion of the debt, *and* the contemporaneous execution of an unsecured promissory note equal to the amount released from the second mortgage *and* a modification agreement that reduces the secured debt of the existing second mortgage by the amount of the new unsecured promissory note.

PART THREE: TARGET AREA HOMEBUYER PROGRAM

Introduction

There are certain areas of Pasco County that are in transition, and need extra attention. These target areas receive generous subsidies to encourage people to move into the neighborhood. At this time Tommytown, an area north of Dade City is the only Target Area. For further information, call our office.

Who is eligible

The Target Area Homebuyer Assistance Program (THAP) is available to families at the moderate income level, just like the HAP.

What kind of housing units are eligible

The same rules as listed under the HAP apply.

What does the buyer have to put into the purchase

The same minimum requirements as listed in Table Two apply.

How much can be borrowed?

Pasco County will lend 50% of the sales price. The rest of the financing must be obtained through a lender that has signed a special Letter of Understanding with the County. Funds cannot come from other sources. The reason for this is that we depend on our partner lenders to underwrite our loans for us. If the homebuyer is buying an existing house, it is required that the house be brought up to code. The County will lend all of the repair funds, just as in the PRP.

There is a limitation on the subsidy that can come from the County. For a two bedroom house, the subsidy limit is \$62,008; for a three plus bedroom house, the limit is \$76,721.

What are the credit requirements?

There cannot be more than \$1,000.00 in charge offs/collections. Bankruptcy discharge must be at least 6 months previous.

How and When to reserve funds

Lenders apply for the applicants just as in the HAP.

The County’s Loan program

The County’s portion will be at 0% interest, for 5 years. At the end of five years, the loan will balloon, and the County will then determine whether the borrower can afford to make payments. If they can, their loan is modified to make it a monthly payback loan. If not, the loan will be deferred again.

If the borrower converts the house to a rental unit, or if they vacate the house, the entire loan becomes due and owing immediately.

Homes can only be assisted once—a house that receives a target loan shall not receive one again.

Rehabilitation

If a home also must be rehabilitated, the County will fund the entire amount at 0%, deferred for 5 years.

New Home Construction

If the homebuyer is building a new home with THAP funds, the County will lend the entire construction amount, and then subordinate its loan to the lender at a second closing.

PART FOUR: THE PASCO OPPORTUNITY PROGRAM (POP)

Introduction

The POP Program assists very –low and low income homebuyers purchase homes that are owned by certain non-profit agencies that have either purchased and rehabilitated them or built them. These houses are all over the county. A list of agencies and houses is available from our office.

What kind of units are eligible?

The only units available are those listed.

What does the buyer have to put into the purchase?

\$500 for very-low income and \$1,250 if low income.

How much can be borrowed from the County?

There is no limitation chart. However 45% is possible and that amount can be higher (at the discretion of the county) , if necessary to help the very-low and low income homebuyer afford the payments with a reasonable ratio. It is a priority of our programs to help the very-low income homebuyer. Because of that, the amount we lend to very low income applicants for the POP program is adjustable and individual.

How and when to reserve funds

This is done the same way as the HAP.

The County's Loan Program

The loan rules are the same as the HAP. This program is approved by FHA.

The County's portion will be at 0% interest either deferred for five years, payback or a combination of the two designed to keep the clients ratio at or under 28% front end and 38% back end. If the loan payment cannot get under those ratios, the loan can then be deferred for 5 years. No payments are made. At the end of five years, the loan payments will begin. The client will know what the payments will be and when they will have to start paying at initial loan signing.

If the borrower converts the house to a rental unit, or if they vacate the house, the entire loan becomes due and owing immediately.

PART FIVE: THE PROSPERITY CAMPAIGN

Introduction

The United Way of Pasco County, in conjunction with the IRS offers free tax preparation for Pasco County Residents. Residents who qualify for and receive Earned Income Tax Credit through the United Way, can use their refund towards the purchase of a house.

What kind of units are eligible?

The same as listed under the HAP Program.

What does the buyer have to put into the purchase?

Their EITC money and tax refund or at least \$500.00 for very-low and \$1,250.00 for low income, whichever is higher.

How much can be borrowed from the County?

The county will match the EITC and tax refund money and also lend the amount in Chart Two under Homebuyer Assistance Program. "Match " means bring to closing. Some of the tax refund money may be used towards the purchase of the home and, if documented and approved by the county, it will still be eligible for match.

How and when to reserve funds

This is done the same way as the HAP. Applicants must have a letter from United Way of Pasco documenting their inclusion in the program and the amount of their EITC and refund. This must be included with the package or the reservation

The County's Loan Program

The loan rules are the same as the HAP. This program is approved by FHA.

The County's portion will be at 0% interest either deferred for five years, payback or a combination of the two designed to keep the clients ratio at or under 28% front end and 38% back end. If the loan payment cannot get under those ratios, the loan can then be deferred for 5 years. No payments are made. At the end of five years, the loan payments will begin. The client will know what the payments will be and when they will have to start paying at initial loan signing.

If the borrower converts the house to a rental unit, or if they vacate the house, the entire loan becomes due and owing immediately.

PART SIX: THE SECTION 8 FAMILY SELF-SUFFICIENCY PROGRAM

Introduction

Pasco County Housing Authority offers the Family Self-Sufficiency Program to qualified Section 8 participants. When they graduate from that program they have earned a lump sum of money that can be used to purchase a home.

What kind of units are eligible?

The same as listed under the HAP Program.

What does the buyer have to put into the purchase?

Their family self-sufficiency lump sum amount.

How much can be borrowed from the County?

The county will match the Family Self Sufficiency money and also lend the amount in Chart Two under Homebuyer Assistance Program. "Match " means bring to closing. Some of the money may be used upfront towards the purchase of the home and, if documented and approved by the county, is still eligible for match.

How and when to reserve funds

This is done the same way as the HAP. Applicants must have a letter from the Housing Authority documenting their inclusion in the program and the amount of their grant. This must be included with the package or the reservation

The County's Loan Program

The loan rules are the same as the HAP. This program is approved by FHA.

The County's portion will be at 0% interest either deferred for five years, payback or a combination of the two designed to keep the clients ratio at or under 28% front end and 38% back end. If the loan payment cannot get under those ratios, the loan can then be deferred for 5 years. No payments are made. At the end of five years, the loan payments will begin. The client will know what the payments will be and when they will have to start paying at initial loan signing.

If the borrower converts the house to a rental unit, or if they vacate the house, the entire loan becomes due and owing immediately.

**PART SEVEN
THE APPLICATION**

Application Package Requirements

The Application Package needs to be submitted to Pasco County Community Development at:

5640 Main Street, Suite 200
New Port Richey, FL 34652

Do not fax your packages.

The Application Package submitted must contain the following:

- 1) County Application and Checklist
- 2) Signed Application for first mortgage (1003 is acceptable and preferred)
- 3) Good Faith Estimate
- 4) Real Estate or Building Contract
- 5) Appraisal
- 6) Credit Report
- 7) Verifications of Income and Assets
- 8) CCC Education Certificate

Each of these items will be discussed: All except the contract and CCCS certificate must be dated not more than 90 days prior to submitting the application.

County Checklist

The County Checklist was established due to the great variety of application forms submitted by lenders. The purpose of this form was to aid the County in summarizing the loan package and for reporting. All the charts that are used in the program: Income Limits, Caps on Assistance, and Minimum Investment are on the form as a double check for the lenders. Some other key areas on the form:

- 1) Homebuyer/Purchase Rehab Boxes – The Purchase Rehab box should ONLY be marked if the County is funding the repairs.
- 2) Appraisal Amount – This is the value of the property, not the cost of the appraisal.
- 3) Buyer Contribution – This must be at least the amount required by the Minimum Investment Box.
- 4) Front End Costs (Page 3) – This will help determine whether the loan is a payback or deferred loan
- 5) Type of Loan – FHA, Fannie Mae, or portfolio. VA loans are considered portfolio.

THE LOAN AMOUNTS AND PAYMENT AMOUNTS ENTERED ON OUR CHECKLIST MUST BE THE SAME AS THE CORRESPONDING NUMBERS ON THE 1003 AND GOOD FAITH ESTIMATE.

Application (1003 is preferred)

The file must contain a signed application for the first mortgage. **All** of the family's income needs to be listed. The only dependents listed should be the ones who will reside in the home. Must be dated within 90 days of application to county.

Good Faith Estimate

Must be signed and dated within 90 days of application to county. Loan amounts and payments must match those on 1003 and Pasco County application and check list.

Real Estate or Building Contract

Be sure to include the entire document in the file.

Appraisal

Only an appraisal from a licensed, certified appraiser may be used. Valuations by real estate professionals are not allowed. Must be dated within 90 days of application to county.

Credit Reports

Include the latest credit report in the file. The County uses the credit reports to determine whether its loan will be payback or deferred. Must be dated within 90 days of application to county.

The credit report is not used for underwriting, however we will not fund any client with a higher than 50% ratio on the front or back end.

Verification of Income and Assets

If there is any item that causes problems in obtaining County loan approval, it is this. The verification process that the County uses is mandated by the Department of Housing and Urban Development and the Florida Housing Finance Corporation. Deviations are not allowed. Using stated income is not allowed. Every income and asset source for everyone living in the household must be verified by a third party source. First, however, income and assets need to be identified.

All the verifications must be less than three months old.

Definition of Annual Income

Annual Income is defined as the gross amount of income of all adult household members (excluding employment income of minors) that is anticipated to be received during the coming 12-month period. Income information provided by participating households must be verified, and files must include documentation of each participating household's income eligibility.

Determining whose income to count

- (A) Count all anticipated income of all adult household members age 18 and over.
- (B) The following income is not counted:
 - Income of live-in aides. If a household includes a paid live-in aide (whether paid by the family or a social service program), the income of the live-in aide, regardless of its source, is not counted. A related person can never be considered a live-in aide;
 - Income attributable to the care of foster children. Foster children are not counted as family members when determining family size to compare with the Income Limits. Thus, the income a household receives for the care of foster children is not included; and
 - Employment income of minors. Employment income of minors (age 17 and under) is not counted. However, unearned income attributable to a minor (e.g., child support, AFDC payments, and other benefits paid on behalf of a minor), must be counted.
- (C) Family members living apart from the family also require special consideration:
 - Temporarily absent family members. The income of temporarily absent family members is counted in Annual Income -- regardless of the amount the absent member contributes to the household. For example, a construction worker employed at a temporary job on the other side of the state earns \$600/week. He keeps \$200/week for expenses and sends \$400/week home to the family. The entire amount (\$600/week) is counted in the family's income;
 - Adult students living away from home. If the adult student (over the age of 18) is counted as a member of the household in determining the Income Limit used for eligibility of the family, the

student's income must be counted in the family's income. An example is a student who spends holidays and summer recess in the household while pursuing a full-time education. If proof is given that child is a full time student only \$489 of their earned income is counted.

- Permanently absent family member. If a family member is permanently absent from the household (e.g., a spouse who is in a nursing home), the head of household has the choice of either counting that person as a member of the household and including income attributable to that person as household income, or specifying that the person is no longer a member of the household.

Income Inclusions

1. All wages and salaries, overtime pay, commissions, fees, tips, bonuses, and other compensation for personal services (before any payroll deductions);
2. Net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness cannot be used as deductions in determining net income; however, an allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession is included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the Family (there is a special County form that must be completed, and the last two years of tax forms must be included with the package);
3. Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness cannot be used as a deduction in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (2) of this section. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the Family. Where the Family has Net Family Assets in excess of \$5,000, Annual Income includes the greater of the actual income derived from Net Family Assets or a percentage of the value of such Assets based on the current passbook savings rate, as determined by HUD (currently, that is 2%);
4. All gross periodic payments received from Social Security, SSI, welfare, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum payment for the delayed start of a periodic payment (except Social Security);*
5. Payments in lieu of earnings, such as unemployment, worker's compensation and severance pay (but see paragraph (3) under Income Exclusions);
6. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling. Alimony and child support amounts awarded as part of a divorce or separation agreement are included as income unless the applicant (1) certifies that the income is not being provided, and (2) takes all reasonable legal actions to collect amounts due. For example: filing with the Child Support Enforcement Office, State of Florida, Department of Revenue; and
7. All regular pay, special pay, and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is head of the Family, spouse, or other person whose dependents are residing in the unit (see paragraph 6 under Income Exclusions);

Income Exclusions

1. Income from employment of children (including foster children) under the age of 18 years;
2. Payments received for the care of foster children;

3. Lump-sum additions to Family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses (but see paragraph 5 of Income Inclusion);

4. Educational Scholarships

Calculating Income

Lenders should assume that today's circumstances will continue for the next 12 months, unless there is verifiable evidence to the contrary. For example, if a head of household is currently working for \$7.00/hour, 40 hours/week, the agency should assume that this family member will continue to do so for the next year. Thus, estimated earnings will be \$7/hour x 2,080 hours, or \$14,560.

This method should be used even when it is not clear that this type of income will continue in the coming year. For example, if a family member has been receiving unemployment benefits of \$400/month for 15 weeks at the time of income certification. It is unlikely that the family member will continue on unemployment for another 52 weeks, but because it is not known whether or when the family member will find employment, the local agency should use the current circumstances to anticipate Annual Income. Income would therefore be calculated as follows: \$400/month x 12 months or \$4,800.

The exception to this rule is when documentation is provided that current circumstances are about to change.

Treatment of Assets

In general terms, an asset is a cash or non-cash item that can be converted to cash (Note: it is the income earned -- e.g., interest on a savings account -- not the asset value that is counted in Annual Income.)

Actual Income from Assets

In general, the income counted is the actual income generated by the asset (e.g., interest on savings or checking account). The income is counted, even if the household elects not to receive it. For example, although an applicant may elect to reinvest the interest or dividends from an asset, the interest or dividends is still counted as income. As with other types of income, the income included in Annual Income is the income that is anticipated to be received from the asset during the coming 12 months

Assets Valued at \$5,000 or Over

For most assets, calculating income from the assets is straight forward. Special rules have, however, been established to address situations in which the assets produce little or no income. This rule assumes that a household with assets has an increased payment ability, even if its assets do not currently produce income. (For example, a household that owns land that is not rented or otherwise used to produce income.)

Rather than require the household to dispose of the property, the rule requires that an "imputed" income be calculated based on a Passbook Rate that is applied to the cash value of *all* assets. (The Passbook rate is established periodically by HUD which is currently 2 percent.)

Cash Value of an Asset

Assets have both a market value and a cash value. The market value of an asset is simply its dollar value on the open market. For example, a stock's market value is the price quoted on a stock exchange on a particular day, and a property's market value is the amount it would sell for on the open market. This may be determined by comparing the property with similar, recently sold properties. The costs associated with the sale of an asset can be subtracted before determining cash value.

An asset's cash value is the market value less reasonable expenses required to convert the asset to cash, including:

- **Penalties or fees converting financial holdings.** Any penalties, fees, or transaction charges levied when an asset is converted to cash are deducted from the market value to determine its cash

value (e.g., penalties charged for premature withdrawal of a certificate of deposit, the transaction fee for converting mutual funds, or broker fees for converting stocks to cash); and/or

- **Costs for selling real property.** Settlement costs, real estate transaction fees, payment of mortgages/liens against the property, and any legal fees associated with the sale of real property are deducted from the market value to determine equity in the real estate.

ASSETS

| A. Assets That Should Be Considered | B. Assets That Should Not Be Considered |
|--|---|
| <ol style="list-style-type: none"> 1. Savings accounts and the average 6-month balance of checking accounts. 2. Stocks, bonds, savings certificates, money market funds, and other investment accounts. 3. Equity in real property or other capital investments. Equity is the estimated current market value of the asset less the unpaid balance on all loans secured by the asset and reasonable costs (such as broker fees) that would be incurred in selling the asset. 4. The value of land, in excess of land allowable for housing production is an asset. 5. Cash value of trusts that are available to the household. 6. IRA, Keogh, and similar retirement savings accounts, even though withdrawal would result in a penalty. 7. Contributions to company retirement/pension funds that can be withdrawn without retiring or terminating employment. This amount would be reduced by any penalty for early withdrawal. 8. Assets that, although owned by more than one person, allow unrestricted access by the applicant. 9. Lump-sum receipts, such as inheritances, capital gains, lottery winnings, insurance settlements, and other claims. 10. Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc. 11. Assets disposed of for less than fair market value during two years preceding certification or recertification | <ol style="list-style-type: none"> 1. Necessary personal property, except as noted in 10. 2. Interest in Indian trust lands. 3. Assets that are a part of an active business or farming operation. (Note: Rental properties are considered personal assets unless real estate is the applicant's main occupation.) 4. Assets not accessible to the family and that provide no income for the family. For example, an abused spouse who legally and jointly owns a house but (1) does not live in the house; (2) receives no income from ownership of the house; and (3) has no ability to sell the house. 5. Vehicles specially equipped for the handicapped. 6. Equity in owner-occupied cooperation and manufactured homes in which the family lives. 7. Assets held in applicants' name but which are actually owned by someone else. <ol style="list-style-type: none"> a. Asset and income from asset accrue to someone else. b. The other person is responsible for paying taxes on income. c. Not to be confused with joint ownership. 8. Cash value of life insurance policies. |

For applications, acceptable forms of verification for specific types of income situations are as follows:

1. Employment Income:

- a. Employment verification form completed by the employer or statement from employer on company letterhead; or
- b. If employment verification is unavailable, at least three check stubs or earnings statements showing the employee's name, gross pay per pay period, and frequency of pay may be accepted. Proof has to be shown by the lender that the Lender attempted to obtain a verification several times unsuccessfully.

2. Self-Employment Income:
 - a. Accountant's or bookkeeper's statement of net income; or
 - b. Audited or unaudited financial statement(s) of the business along with a notarized statement from the applicant giving the anticipated income for the 12 months following certification; or
3. Social Security, Pensions, Supplemental Security Income (SSI), Disability Income:
 - a. A benefit verification form completed by the agency providing the benefits (this must be less than 4 months old); or
 - b. An award or benefit notification letter prepared and signed by the authorizing agency.
4. Unemployment Compensation:
 - a. A verification form completed by the unemployment compensation agency; or
 - b. Records from the unemployment office stating payment dates and amounts.
5. Alimony or Child Support Payments:
 - a. A print-out from the court or state governmental agency through which payments are being made; or
 - b. A notarized letter from the person paying support; or
 - c. A copy of a separation or settlement agreement or a divorce decree stating the amount and type of support payment schedule. If the document is not within the 90-day time frame, a notarized statement from the applicant stating current income; or
6. Recurring Contributions and Gifts:
 - a. Notarized statement or affidavit signed by the person providing the assistance giving the purpose, dates, and value of the gifts; or
 - b. A letter from a bank, attorney, or a trustee providing required verification; or
7. Unemployed Applicants:
 - a. The income of unemployed applicants with regular income from any source, such as Social Security, pension, recurring gifts, etc., must be verified as covered previously.
 - c. If the applicant is currently unemployed and claiming zero (0) income, he/she must provide evidence of current anticipated income for the certification year by executing an Unemployed Applicant's Affidavit.
8. Bank Accounts:
 - a. A Verification of Deposit form signed by a bank representative; or
 - b. Six months of consecutive bank statements
9. Pension or 401-K accounts
 - a. A verification formed by a pension representative; or
 - b. A copy of the last quarterly statement.

Closing:

After approval, it takes a week to get a check so inform our processor of proposed closing date as soon as it is known.

HUD-1s and Truth-in-Lending statements must be reviewed by the County before any check is released.

After HUD and TIL are approved, housing professional may pick up the check and our loan package at our office in New Port Richey or they may be sent overnight or by courier to the title company. Under no circumstances can the homebuyer pick up the check or package.

Lenders may not charge more than 4% of their mortgage amount for fees and charges. This includes broker fees, points, underwriting fees, and other similar fees. It also includes yield spreads. Fees are defined by the County.

The interest on the loan from the lender cannot be more than 1% above the average FHA rate as shown on the Freddie Mac Website.

The homebuyer may not take cash away from the closing. Any extra money must be paid to Pasco County as a principal reduction on their loan.

For More Information Visit our Website

www.pascocountyfl.net/menu/index/cdevindex.htm