

S. H. I. P.

State Housing Initiative Program

PURCHASE ASSISTANCE WITH REHABILITATION

2017-2018

MANUAL



“HOME OWNERSHIP
CAN BE A REALITY”

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Introduction

The City of Deltona's Purchase Assistance, with Rehabilitation if applicable, is to assist eligible homebuyers with household incomes that are at or below 120% of the area median income adjusted for household size with a needs based deferred payment loan to be applied as gap-financing towards down payment, closing costs, interest rate buy-down, and/or principal reduction and rehabilitation, if applicable, for the purchase of eligible housing.

The program is funded through federal and state grants and implemented by the Community Development Department.

For the purposes of the SHIP Program, very low, low and moderate income households are defined in SHIP Statute Section 420.9071. The income limits are annually provided by HUD and distributed by the Florida Housing Finance Corporation. Preference will be given to applicants that are below 50% AMI level.

Funding

The Purchase Assistance Program is primarily funded through the State Housing Initiatives Partnership (SHIP) program through the William E. Sadowski Act.

The following State requirements apply to the use of SHIP funding:

- Sections 420.9071 – 420.9079 F.S., Chapter 67-37 F.A.C.

In addition, the City will comply with all applicable "Other Federal Requirements" to include, but not limited to:

- Fair Housing and Equal Opportunity
- Equal Opportunity Employment
- Section 3 Economic Opportunity
- Minority/Women Employment
- Conflict of Interest
- Debarred Contractors
- Environmental Review
- Flood insurance
- Lead-Based Paint

Discrimination

In accordance with the provisions of ss.760.20-760.37, it is unlawful to discriminate on the basis of race, creed, religion, color, age, sex, marital status, familial status, national origin, or handicap in the award application process for eligible housing.

Priority of Assistance

Assistance will be on a first-come, first-qualified, first-served basis while funds are available. Should funds not be available or the number of homebuyers exceeds the program’s service capacity, a waiting list will be established.

Maximum Assistance

Income Limit Level	Max Purchase Assistance	Closing Costs Assistance	Max Rehab Assistance After Closing
Very Low	20% of purchase price, not to exceed \$25,000	\$3,000	\$10,000
Low	15% of purchase price, not to exceed \$20,000	\$3,000	\$10,000
Moderate	10% of purchase price, not to exceed \$15,000	\$3,000	\$10,000

Funds are limited for households whose income is between 81% and 120% AMI

1. Assistance is provided based on need and **will not exceed 50% of the purchase price of the home.**
2. The Purchase Assistance provided will be a lien secured in second position by a 2nd mortgage.
3. Purchase price: The maximum purchase price is \$138,000 for households with income that does not exceed 80% of **Area Median Income (AMI)**. The maximum purchase price for households with income between 81% and 120% AMI is \$225,000.

Applicant Eligibility

At a minimum, the following requirements must be met for the applicant to be determined eligible:

1. Applicants must not have owned a home within the last (3) three years.
2. Applicants must not have filed for bankruptcy in the last 2 years or had foreclosure in the last 7 years.
3. Total household annual gross income must not exceed the annual amounts, as determined by HUD and FHFC. Below are the limits for the 2018 AMI:

Household Size	Very Low	Low	Moderate
1	\$19,500	\$31,200	\$46,800
2	\$22,300	\$35,650	\$53,520
3	\$25,100	\$40,100	\$60,240
4	\$27,850	\$44,550	\$66,840
5	\$30,100	\$48,150	\$72,240
6	\$32,350	\$51,700	\$77,640

4. Applicants must secure a first mortgage in the maximum amount for which they can afford with a fixed interest rate and no pre-payment penalty.
5. Applicants must contribute a minimum dollar amount towards the down payment of the home according to the household income:

Very Low	Low	Moderate
\$1,000	\$1,500	\$2,000

Additional funds may be required at closing.

6. In the event that the applicant needs additional funds and these are given in the form of a gift, the funds must be verified/documentated by a gift letter provided by the first mortgage lender. Gifts or other funds shall not be used in any way to facilitate the purchase of a house that is more expensive than what the applicant is approved for as part of the required mortgage approval letter.
7. Applicants who qualify for SHIP Purchase Assistance must contractually agree to all SHIP Program guidelines and City of Deltona requirements, recapture provisions, and certify that the unit assisted will be their principal residence.
8. Any liquid asset exceeding \$5,000 must be utilized towards the homebuyer's down payment or closing costs. Applicant cannot have liquid assets exceeding \$5,000 after closing, except for amounts invested in financial instruments exclusively designated as a retirement account such as an IRA or 401K.
9. The credit and financial capacity of the applicants will be determined by the approved lenders through credit verifications and the determination of their ability to pay the first mortgage based on their income.
10. Mortgage payments, including taxes and insurance, may not exceed 30% of an amount representing the percentage of the annual gross income for the household and no more than 45% combined mortgage payment, including taxes, insurance, and overall debt. The City does not allow grossing up income.
11. Applicants must not have owned a home within the last three years or defaulted on a mortgage within the last seven years preceding the application for SHIP Purchase Assistance.
12. Bankruptcy must be discharged a minimum of two (2) years prior to requesting assistance to be eligible for the Purchase Assistance Program. Since filing bankruptcy, homebuyers must have a clean credit history and no unresolved credit issues.
13. Applicant cannot have any outstanding judgments or liens.
14. Sufficient income and good credit are essential in order for a homebuyer to qualify for a mortgage loan. A minimum representative credit score of 640 is required by most banking/lending institutions. The middle score of the three sets of repository scores reported is the represented credit score. If no score is available, alternative documentation may be used to demonstrate credit worthiness such as twelve (12) months' rent and utility payments. Nontraditional credit reports may not be used to enhance any poor credit history on a traditional credit report. Applicant must have three (3) lines of non-traditional credit.
15. Once approved by the City, all homebuyers must attend a meeting with a Community Development Staff member. At the session, applicant(s) will receive an overview of the program, sign their income certification, set up their counseling class (if they have not already taken the class) and receive a copy of the 2nd mortgage documents that they will be required to sign at closing (Note, mortgages etc.).

Property Eligibility

1. The following types of housing units are eligible:
 - Single-Family Residence
 - Condominium Units
 - Townhouses
 - Villas and Zero-Lot Line
2. Eligible housing types under this strategy include existing and newly constructed homes.
3. Mobile homes are not eligible.
4. The maximum purchase price is \$138,000 for households with income that do not exceed 80% of Area Median Income (AMI). The maximum purchase price for households with income between 81% and 120% AMI is \$225,000.
5. The housing unit must be located within the City of Deltona.
6. All properties being purchased built prior to 1978 by potential homebuyers must have an Environmental Inspection. If applicable, required abatement will be at the seller's expense.
7. Properties located in a designated flood zone must obtain and maintain a flood insurance policy for the term of the loan.
8. Property that is being acquired can be either owner-occupied, or vacant. Homebuyers applying for Purchase Assistance are not eligible to receive assistance if the property is occupied by tenants other than the applicant at the time the contract is signed.
9. The City of Deltona will not pay for relocation expenses.
10. Any real estate contracts entered into should be "contingent upon obtaining City of Deltona SHIP Purchase Assistance funds." This will protect the homebuyer in the event that they are not approved for assistance or if the City of Deltona SHIP funds are not available.

Financing Guidelines

1. Homebuyer must secure a first mortgage loan commitment at a competitive fixed rate (30 Year FHA or Conventional Loan only) through an accredited lender.
2. Mortgage payments, including taxes and insurance, may not exceed 30% of the annual gross income for the household. Total combined debt should not exceed 45% of their gross income. The City does not allow grossing up income.
3. Community Development staff will monitor closely the terms of the first mortgage loans (interest rate, loan originations fees, discount points, etc.).
4. All Mortgage Financing must be arm's length transactions.
5. Properties financed by construction permanent loans, adjustable rate loans, balloon mortgages, seller financing or private financing, are not eligible to participate in the Purchase Assistance Program. Stated income loans are not allowed.

Homebuyer Education Course

- Applicants must attend and complete the **mandatory** Homebuyer Education Course provided by or approved by the City within the allotted time frame. All adult parties who will be recorded on the mortgage will be required to take the **mandated** Homebuyer Education Course and sign an Income Certification form.

Terms, Recapture, and Default

Purchase Assistance Loan Features:

1. The maximum Purchase Assistance will be provided in the form of a second mortgage with a zero (0%) interest deferred payment, forgivable loan.
2. The loan term is thirty (30) years. At the end of thirty (30) years, the loan is forgiven.
3. If a default occurs during the thirty (30) year loan term, the entire balance of the loan becomes due and payable.

Rehabilitation Loan Features:

1. Repairs to the home, if applicable, will not begin until after the closing.
2. Repairs will not begin until (3) three months after closing and can take up to an additional (6) six months to complete.
3. Repairs to the home are to correct, code, safety and health hazards to the primary structural system such as the roof, heat/air, septic or windows, and exterior doors, only.
4. Funds will be provided as a 3rd mortgage to the City at zero (0%) interest, deferred payment, forgivable loan for five (5) years.
5. If a default occurs during the five (5) year loan term, the entire balance of the loan becomes due and payable.

The deferred payment forgivable loans shall immediately become due and payable to the City, if any of the following occurs:

1. Homeowner sells, transfers, or disposes of the property by any means, including bankruptcy, foreclosure, short sell or deed in lieu of foreclosure.
2. Homeowner no longer occupies the unit as their principal residence.
3. Homeowner dies, or if a married couple, the survivor dies.
4. Homeowner refinances their first mortgage or requires subordination for a new second mortgage.
5. An heir may assume the debt as long as they are income eligible and become the owner-occupant.
6. Recipients of SHIP awards will be required to contractually commit to program guidelines. The recipients will execute a mortgage and a promissory note for the value of the award received. The mortgage encumbering the real property will promptly be recorded in the public records of the Clerk of the Circuit Court for Volusia County.

Application Submission

Community Development Staff will work closely with the realtor and mortgage lender/broker to obtain the proper documentation to determine income and property eligibility under the Purchase Assistance Program guidelines. Potential homebuyers must be approved for a primary mortgage, have a mortgage pre-approval letter and all the required documentation before submitting an application for the Purchase Assistance Program.

The approval process, for a complete and fully documented application, will take a minimum of 60 days. Please provide email address. If an email address is not provided, the applicant will be contacted by mail.

Mortgage lenders/brokers and realtors are responsible for:

1. Being the point of contact with the Community Development Staff.
2. Determining the applicant’s first mortgage eligibility.
3. Assisting applicants with the submission of necessary documentation to Community Development Staff.
4. Coordinating the closing with title companies, and city staff, etc.
5. Assisting the Community Development Staff in maintaining the integrity of the program and services. Any party withholding information or providing false information (i.e. employment status, income, household composition, assets, etc.) will be suspended from accessing program funds.

Income Verification and Certification

Assistance is based on the homebuyer’s total household income, adjusted for family size. The income limits are provided by the Department of Housing and Urban Development (HUD) and by the Florida Housing Finance Corporation (FHFC). For information on the latest income limits, please refer to the City of Deltona Housing and Community Development Department’s website for yearly updated income limits, or review the chart below which is good through April 9, 2019.

Household Size	Very Low	Low	Moderate
1	\$19,500	\$31,200	\$46,800
2	\$22,300	\$35,650	\$53,520
3	\$25,100	\$40,100	\$60,240
4	\$27,850	\$44,550	\$66,840
5	\$30,100	\$48,150	\$72,240
6	\$32,350	\$51,700	\$77,640

When applying to the Purchase Assistance Program, the homebuyer is required to provide employer contact information for all household members who are working at the time of application to the certified mortgage lender/broker and to city staff.

If an adult household member is not working and receives no income from any source, please have the household member provide a notarized statement indicating that he or she receives no income and relies upon the support of the income-earner in the family.

All income will be verified with the employer in writing, by the Community Development Staff. In addition, applicants will be required to submit asset/financial account information for all household members. If a household member does not have an asset/financial account, the household member must provide a notarized statement indicating that he or she does not have any assets/financial accounts. All assets will be verified with the financial institution by the approved mortgage lender/broker and city staff.

Upon approval of application, Community Development Staff will prepare the Income Certification Form to be signed by the head of household and the co-applicant in applicable.

Self-Employed Applicants

In cases where an applicant is self-employed: the following must be verified and provided in the application package:

1. Signed copy of previous three (3) years' Federal Income Tax Returns, including ALL Schedules of the Federal Income Tax Return "Profit and Loss from Business".
2. A copy of the most recent three months income and expense reports, profit and loss statement or quarterly report.
3. A completed "Verification of Income from Business Form"; See "Verification of Income from Business Form" sample.

Upon receipt of documents, the Community Development Staff will calculate annual income.

Calculating Annual Household Income

Upon receipt of the application package from the applicant, Community Development Staff will complete a quick calculation of the applicant's total annual income and compare to the applicable income limits for jurisdiction and household size. If the applicant's total annual income is above the income limits, the verification process may be unnecessary. At that time, the applicant will be informed that it appears the household is ineligible for assistance.

Annual income includes income received by members currently intending to reside in the household. Income is calculated by projecting the household's income twelve (12) months forward from the date of application.

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

- Hourly wages by 2,080 hours;
- Weekly wages by 52;
- Biweekly (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.

The Lender and Community Development Staff must be notified if there is a change in the applicant's household income.

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.

There is a limit of \$5,000 of liquid assets for participation in the Purchase Assistance Program. The potential annual income that can be earned from assets is taken into consideration when calculating annual income. Asset income is 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.

Asset Inclusions and Exclusions

Asset Inclusions

1. Cash held in savings accounts, checking accounts, safe deposit boxes, homes, etc. For savings accounts, use the current balance. For checking accounts, use the average 6-month balance.
2. Cash value of revocable trust available to the applicant.
3. Equity in rental 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 all reasonable costs, (e.g., broker fees) that would be incurred in selling the asset. Under HOME, equity in the family's primary residence is not considered in the calculation of assets for owner-occupied rehabilitation projects.
4. Cash value of stocks, bonds, treasury bills, certificates of deposit and money market accts.
5. Individual retirement and Keogh accounts (even though withdrawal would result in a penalty).
6. Retirement and pension funds.
7. Cash value of life insurance policies available to the individual before death (e.g., surrender value of a whole life or universal life policy).
8. Personal property held as an investment such as gems, jewelry, coins collections, antique cars, etc.
9. Lump sum or one-time receipts, such as inheritances, capital gains, lottery winnings, victim's restitution, insurance settlements and other amounts not intended as periodic payments.
10. Mortgages or deeds of trust held by an applicant.
11. The value of land.
12. Assets owned by more than one person should be prorated according to the percentage of ownership.

Asset Exclusions

1. Necessary personal property, except as noted in number 8 of Inclusions, such as clothing, furniture, cars and vehicles specially equipped for persons with disabilities.
2. Interest in Indian trust lands.
3. Assets not effectively owned by the applicant. That is, when assets are held in an individual's name but the assets and any income they earn accrue to the benefit of someone else who is not a member of the household and that other person is responsible for the income taxes incurred on the income generated by the asset.
4. Equity in cooperatives in which the family lives.
5. Assets not accessible to and that provide no income for the applicant.
6. Term life insurance policies (i.e., where there is no cash value).
7. Assets that are part of an active business. "Business" does not include rental of properties that are held as an investment and not a main occupation.

Purchase Assistance Processing

The Community Development Department has the final responsibility for determining eligibility of an applicant in accordance with program guidelines. All applications must be original, complete, and signed by the applicant. Only complete, original applications will be accepted.

The City of Deltona Community Development Staff:

1. Review the application package submitted by the applicant.
2. Underwrite the loan by ensuring that all of the provisions of the loan meet the approval of The City of Deltona (i.e. interest rates, origination points, ratios, fees, type of loan, etc.). Properties financed by construction permanent loans are not eligible to participate in the Program. All mortgage financing must be arm's length transactions. The Community Development Specialist will closely monitor the terms of the first mortgage loans (interest rate, loan origination fees, discount points, "junk fees", etc.) for reasonableness. The SHIP Program funds will not substitute any costs to be paid by the seller as per the contract for sale and purchase. In addition, sellers will pay at a minimum the Owners Title Insurance Policy, the Documentary (DOC) Stamps on the Deed, and the Builder's Warranty (if applicable);
3. Complete the Income Certification form and have the head of household and co-applicant sign the form upon verifying the household's annual income as a final step in the verification process.
4. A signed certification form must be obtained from the applicant in order to complete the eligibility process.

The Community Development Staff will:

1. Provide the pre-approval letter to the applicant after approval by the City of Deltona. The pre-approval letter specifies the amount of assistance awarded to the applicant.
2. Receive preliminary closing documents and review the following: final home inspection (if repairs are needed), Termite Report (WDO), first Note/Mortgage, Preliminary HUD-1 and title Commitment.
3. Request wire transfer from finance department.
4. Prepare in cooperation with the City of Deltona Legal Department, and deliver the City of Deltona's closing documents to the title company.
5. Review and approve the final closing package from title agency/closing agent, (final HUD-1, final 1st mortgage and note).

The Title Company 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 City of Deltona.
2. Close loan.
3. Record all pages of the Note and Mortgage Deed, and Restrictive Use Covenant (if applicable) after closing. All documentary stamps and recording fee calculations are the responsibility of the Title/Closing Agent. Recording fees and Documentary Stamps apply however, SHIP is exempt from intangible tax.
4. Forward all pages of the signed original Note & Mortgage Deed, and signed final HUD-1 within 24 hours of closing to the City of Deltona.
5. Forward the original recorded Note & Mortgage Deed, after closing to the City of Deltona within 30 days of closing.

Purchase Assistance Processing Timeline

There is a fair amount of coordination of activities while the eligibility process is underway. The approval process will take a minimum of 60 days, at which time the applicant will be contacted by email or mail letting them know if they have been approved and the steps to be taken next or if additional information is needed.

Failure to provide a complete application package will result in denial, delay of processing and/or postponement of closing.

Conflict of Interest Policy

No public official, agent, employee or consultant of The City of Deltona may obtain a financial interest or benefit from an activity funded through the Housing and Community Development Department, to include SHIP, or have an interest in any contract, subcontract or agreement involving a State-funded activity, either for themselves or those whom they have family or business ties, during their tenure or for one year thereafter.

When the potential Conflict of Interest involves SHIP funds, a request for exception may be granted by the Department Director in conjunction with the City Attorney's Office, on a case-by-case basis. A Purchase Assistance package involving potential Conflict of Interest will not be reviewed until an approval or denial of the exception has been granted.

Payoff of Purchase Assistance Loan Information

The homeowner must sign a release of information waiver to allow the City of Deltona 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 County recorded note and mortgage along with the request and necessary release of information to the City of Deltona Housing and Community Development Department when requesting a payoff of loan. Community Development staff will provide in writing to the requesting mortgage/title company the payoff amount. The payoff will state the number of days it is good for and where to send the check. The mortgage company/title company who is requesting a payoff will send a copy of the payoff fax/email and the payoff check in the correct amount made payable to the City of Deltona. The Community Development Staff will receive the check at the intake counter for processing. The Community Development Staff will provide and record a satisfaction of mortgage and mail the same to the former homeowner.

Answers to Frequently Asked Questions

1. The Award Letter will state the subsidy that the homebuyer is conditionally approved for. This amount is needs based determined on a per customer basis. The award letter will also state the maximum sales price. The total amount of assistance/subsidy is based upon the total household income. (Affordable mortgages/house payments are those in which the payments, including taxes and insurance, do not exceed 30% of the household's annual income.)
2. Do not use white-out on any portion of the application. Original application must be submitted. NO FAXED COPIES ACCEPTED.
3. Income – The City of Deltona SHIP Purchase Assistance Program projects the household's income twelve (12) months forward from the date of application.
4. Annual household income is the combined income for all members in the applicant's household. (See guidelines on page 11, Income and Exclusions).
5. Overtime – If overtime is received on a regular basis, that amount is to be included in the income calculation.
6. Child Support or income must be reported for all children.
7. Applicant must provide a copy of Court ordered child support or direct payment agreement from the natural parent not residing in the household. If the applicant does not have a court order, and/or is not receiving child support, applicant must provide documentation showing they have applied for child support and a notarized statement.
8. Divorced applicants must provide documentation of their divorce, for example a copy of their recorded divorce decree and recorded marital settlement agreement.
9. Separated applicants must realize that Florida law does not legally recognize separation. Unless legally divorced, Florida's joint property laws will likely entitle the estranged spouse to legally claim ownership of any house the applicant purchases.
10. Applicant must secure a first mortgage loan commitment at a competitive fixed rate which is contingent upon receiving Purchase Assistance.
11. Allowable Mortgage Type: Fixed Rate Only (no more than 2 percentage points above rate listed on www.floridahousing.org for First Time Home Buyers, Florida First Program Loan Rate) – No construction permanent loans, adjustable rate loans, balloon mortgages, seller financing or private financing are allowed in this program. All mortgages offered must be a fixed rate and may not have terms exceeding thirty (30) years. <http://www.floridahousing.org/home/>
12. No pre-payment penalty.
13. ESCROW - Taxes and insurance shall be included in an escrow account established and administered by the first mortgage holder or its Agent.
14. Processing, Underwriting, Document Prep, and Administration fees cannot be included as closing costs, for the borrower, on the HUD settlement statement; however, the options for payment of these fees include the following: 1.) these fees can be charged to the seller or 2.) These fees can be paid outside of closing "POC" by the borrower. In the instance of "POC" (indicated on HUD), the Lender/Closing Agent normally requires back-up documentation indicating "paid".
15. Loan origination and Broker fees may not exceed 2% of the sales price.
16. The sells price cannot exceed the appraised value of the home.
17. The term of the loan shall be for 30 years.
18. Applicant must not have owned a home in the last (3) three years.
19. Any filed bankruptcy must be discharged for at least (2) two years from the date of application.
20. Applicant must not have had a foreclosure in the last (7) seven years.
21. Only institutional first mortgage lenders, no private owner financing.

22. The City of Deltona SHIP Purchase Assistance Program has a NO "cash back" policy – the homebuyer may not receive cash back from a down payment loan – the HUD-1 must show no cash back to applicant.
23. Funds cannot pay for debts incurred by borrower (i.e., credit cards). Final Settlement Statement (HUD) must not show any debts of the borrower.
24. If the terms and/or conditions of the first mortgage change any time prior to the actual closing, the Community Development Staff is to be notified immediately for their approval of the change(s).
25. Funds will be encumbered for eligible applicants whose contracted homes are deemed repairable according to program guidelines.(Please refer to page 8, Rehabilitation Loan Features)
26. After the closing, the City or its designee will facilitate the work write up to ensure that all work is performed by a licensed and insured contractor for applicants participating in purchase assistance with rehabilitation.
27. A dependent is a member of the family other than the head, spouse, or co-head, who is under 18 years of age or is a person with disabilities or a full-time student. A foster child, a foster adult, or a live-in aide may not be used as a dependent regardless of age or disability.