



NEIGHBORHOOD STABILIZATION PROGRAM (NSP)

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Effective: June 1, 2020

PROGRAM DETAILS

NSP SUMMARY

The City of Mesquite was awarded \$2 million in Neighborhood Stabilization Program (NSP) funding under the Housing and Economic Recovery Act of 2008. These funds were made available by the U.S. Department of Housing and Urban Development (HUD) and have helped fund the city’s purchase and rehabilitation or rebuild of foreclosed upon and vacant single-family homes within designated NSP target neighborhoods and surrounding areas: Casa View Heights, Truman Heights, Mesquite Park, Sherwood Forest, and areas of Creek Crossing.

ELIGIBILITY CRITERIA

The Neighborhood Stabilization Program requires that the sale of homes assisted with NSP funds be made available to individuals and families whose income does not exceed 120% of the area median income (AMI) for Dallas County. Additionally, at least 25% of the NSP funds shall be used for the acquisitions and rehabilitation or rebuild of homes for sale to individuals or families whose income does not exceed 50% of the area median income for Dallas County.

When determining household size, **do not include** foster children and legal kinship guardians or foster adults, live-in aides and children of live-in aides.

# of People in Household	1	2	3	4	5	6	7	8
50% Area Median Income	\$30,200	\$34,500	\$38,800	\$43,100	\$46,550	\$50,000	\$53,450	\$56,900
120% Area Median Income	\$72,400	\$82,750	\$93,100	\$103,450	\$111,700	\$120,000	\$128,250	\$136,550

*Area Median Income for Dallas County for FY 2020, as published by HUD specifically for NSP

The City of Mesquite will use the definition of annual income set forth in 24 CFR Part 5, which is used by the following Federal Programs: Section 8, public housing, the HOME investment partnership program, and the Low-Income Housing Tax Credit. The Part 5 definition of annual income is the gross amount of income of all adult household members that is anticipated to be received during the coming 12-month period. If any member of your household does not receive income, please indicate “no income” as appropriate on the NSP eligibility form. Household members that do not receive income will be asked to sign a “verification of no income” form upon their initial visit with the NSP coordinator. In general, the following income shall be included in determining gross annual income:

- Full amount, before any payroll deductions of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services (excluding minors age 18 and under).
- The net income from the operation of a business or profession.
- Interest, dividends, and other net income of any kind from real or personal property.
- Full amount of periodic payments from SSI, annuities, insurance policies, retirement funds, pensions, disability or death benefits.
- Unemployment and disability compensation, worker's compensation and severance pay.
- Welfare assistance, (TANF), alimony, child support payments, and regular contributions received from organizations.

In addition to the above income eligibility requirements, interested homebuyers must:

- Enroll in and complete eight (8) hours of an in-class HUD approved homebuyer education classes. Available classes in the area can be found at <https://apps.hud.gov/offices/hsg/sfh/hcc/hcs.cfm?weblistaction=summary> or search HUD Approved Counseling Agencies.
- Intend to occupy the NSP property as the primary place of residence for the full duration of the Affordability period.
- Provide at least \$1,000 toward loan cost or fees (down payment, closing costs, and principal reduction).

WAIT LIST

The wait list shall consist of all interested individuals or households in NSP to track program performance in regards to the sales and marketing of homes and to follow up with inquiries from individuals or households. However, only the submission of a complete NSP application will ensure prompt review from the NSP coordinator to determine NSP eligibility. All complete NSP eligibility applications and will be served on a first-come, first-served basis. Applicants who do not meet the all eligibility requirements will not be placed on the waiting list. **Submission of an application does not automatically qualify an applicant for assistance under the program.**

Required documentation for prompt review of NSP eligibility (please allow at least 7 business days for review):

- Thoroughly completed NSP Eligibility Application
- A copy of the Prequalification Letter from lender (**applicants without a prequalification letter will automatically be submitted to NSP's preferred lender, Service First Mortgage, for prequalification**)
- Past Six (6) months of **Checking** account bank statements for **each** bank or other account specified (Consecutive)
- Copies of last Six (6) months of **Savings** account bank statements for **each** bank or other account specified (Consecutive)
- Provide account number for **each** bank account reported on the eligibility application
- Provide copies of benefit letter(s) for any assistance received, such as TANF, food stamps (SNAP), etc. (If applicable)
- Provide copy of most current award letter for Social Security Benefits (if applicable).
- Provide a copy of your last year tax return(s)
- Provide a copy of your most recently received benefit letter(s) for Social Security benefits (if applicable)
- Provide a copy of your most recently received benefit letter(s) unemployment benefits (if applicable)
- Provide a copy of your most recently received worker's compensation letter (if applicable)
- Provide three (3) months' worth of pay stubs received from employer for each household member 18 years and older.
- Provide (6) months of Business financial statements if own a business or self-employed
- Copies of last 6 months of Child Support Court Payments (if applicable)
- Applicant Certification (must be signed by all household members 18 years and older)
- "Authorization for Release of Information" form (must be signed by all household members 18 years and older)
- "Authorization for Criminal Background Check". Submit a separate, signed form for all household members 18 years and older
- Copies of valid photo IDs or Texas Driver's License for all household members (for each household member 18 years and older)
- Copies of Social Security card or documentation of alien registration number/green card for all household members
- Provide a copy of Homebuyer Education completion certification

An application will be considered complete once the previous documentation has been submitted and received by the City of Mesquite. Completed applications may be sent to the following:

In person	By mail	By fax	By email
Community Services 1616 N. Galloway Avenue Mesquite, TX, 75149	Community Services PO BOX 85137 Mesquite, TX, 75185-0137	972.329.8340	rbutler@cityofmesquite.com

APPLICANT INTAKE

After viewing available properties, all applications should be submitted to the City of Mesquite’s Housing and Community Services Department, located at 1616 N. Galloway Ave, Mesquite TX 75149. Applications are available for download on the City’s CDBG webpage, and in paper-form at the Front Desk of Housing and Community Services. Completed applications will then be forwarded to Service First Mortgage for mortgage pre-qualification for those without a pre-qualification letter, and for verification of affordability for those with lender prequalification letters. Applicants which meet lender qualifications are then sent back to the NSP Coordinator to conduct the income eligibility review of the individual or household. This process relies on third party verification; therefore, the NSP Coordinator will determine if the appropriate number of “Authorization of Release Forms” are signed. Any missing or omitted information will cause the application to become null and void. **Submission of an application does not guarantee approval or assistance through the NSP.** All applications are review by NSP staff to ensure eligibility and compliance with HUD regulations.

Applicants determined eligible for the NSP program will receive written confirmation from the NSP coordinator. Once an applicant has been notified they are approved for the NSP program, they are invited to submit an offer to NSP’s preferred realtor Alicia Trevino. Alicia Trevino can be contacted at by phone at (972) 613-4014 (office) or at (214) 876-4567 (mobile), or by e-mail at alicia@aliciatrevino.com. **Only applicants with an approved NSP application should submit an offer on an NSP property.**

HOMEBUYER COUNSELING

All prospective buyers will be required to complete eight (8) hours of an in-class, HUD approved homebuyer course(s) to purchase a City of Mesquite NSP property. This counseling must be provided by a person or organization that has been approved by HUD to provide such

counseling. A list of HUD-approved homebuyer counseling providers can be found at <https://apps.hud.gov/offices/hsg/sfh/hcc/hcs.cfm?weblistaction=summary> or you can search “HUD Approved Counseling Agencies”.

DOWN PAYMENT AND CLOSING COST ASSISTANCE

The City of Mesquite will cover all **reasonable and customary** closing costs for each eligible NSP homebuyer. To ensure consistency in payment of closing costs, the City of Mesquite will adhere to FHA lending guidelines in regards to seller contributions towards closing costs. Currently, FHA allows a seller to contribute up to 6% of the sale price for closing costs. Any remaining funds from the 6% allotment may go towards a reduction in sales prices (principal reduction). Additionally, FHA prohibits lenders from charging “mark-ups” or charges to a borrower greater than charged to the lender by a service provider. Following FHA lending guidelines will ensure consistency in determining **reasonable and customary** closing costs.

FHA guidance can be at the following links: <http://www.fhahandbook.com/hud.php>

The amount of closing cost assistance shall be governed by the initial costs outlined in the Loan Estimate compared to charges listed on the Closing Disclosure. The Loan Estimate provides an estimate of total closing costs (settlement charges) which corresponds directly to a particular section in the Closing Disclosure. Furthermore, the Loan Estimate dictates which charges cannot change, change within 10%, and change without penalty to lender at the time of closing.

0% Tolerance	10% Tolerance	These charges can change
<ul style="list-style-type: none"> • Lender Underwriting Charges • Mortgage Broker Charges • Transfer Fees • Fees to affiliates of creditor and/or broker • Unaffiliated third party if shopping not allowed 	<p>The sum of the boxes can change up to 10%</p> <ul style="list-style-type: none"> • Unaffiliated third party if shopping allowed and on list of service providers • Recording fees • Services borrower may shop for, but does not 	<p>These charges are not subject to tolerance levels</p> <ul style="list-style-type: none"> • Prepaid Interest • Property Insurance • Escrow/impounds • Fees to third party not on the list of providers • Third party charges not required by creditor

A copy of the homebuyer’s Loan Estimate will be provided by the lender and retained in his/her applicant’s file to provide an estimate on the obligation of funds for closing cost assistance.

Homebuyers should be informed that the amount of closing cost assistance might change due to tolerance levels within the Loan Estimate as described above; therefore, homebuyers should work their lender and/or realtor to determine **reasonable and customary** closing costs.

The total amount of down payment, closing costs, and principal reduction will be secured as an interest free deferred forgivable loan. The amount of the loan shall be forgiven annually on a pro-rata basis annually from the date of sales closing for a period of up to 15 years. Loan forgiveness will be granted for **each full year** a homebuyer satisfies the occupancy requirements. If for any reason the homebuyer wishes to sale or transfer the property either voluntary or involuntary, the remaining balance of the forgivable loan shall become due. Depending on the buyer’s financial situation and where the buyer falls within the income guidelines, additional assistance may be offered to bridge the gap between the sales prices and loan amount.

Example: City of Mesquite provides \$18,000 of closing cost and down payment assistance on behalf of the Homebuyer.

Year	Dates of occupancy	Amount Forgiven	Amount Due
0	July 13, 2020– July 12, 2021	0% - \$0	\$18,000
1st	July 13, 2021 – July 12, 2022	20% - \$3,600	\$14,400
2nd	July 13, 2022 – July 12, 2023	40% - \$7,200	\$10,800
3rd	July 13, 2023 – July 12, 2024	60% - \$10,800	\$7,200
4th	July 13, 2024 – July 12, 2025	80% - \$14,400	\$3,600
5th	July 13, 2025 or after	100% - \$18,000	\$0

GENERAL HOMEBUYER PROCESS

1. All interested NSP homebuyers should review the above program details to determine initial eligibility and to establish themselves on the NSP waiting list:
 - All interested applicants must complete a homebuyer education course with a HUD-approved agency before submission of application.
 - Pre-qualified applicants should submit a copy of their prequalification letter from a trusted lender that includes the maximum loan amount eligible to the homebuyer
 - Applicants who are not pre-qualified with a lender will have their application reviewed by NSP's preferred Lender, Service First Mortgage, for eligibility.
 - Qualified applications will be submitted back to the NSP Grant Coordinator for further review.
 - Approved applicants will be notified of their eligibility.
2. Applicants may then contact the NSP Realtor to set up a tour of the home and/or make an offer. Only applicants who have an approved NSP application may submit an offer on an NSP property.
3. Eligible homebuyers may be contacted to meet with the City of Mesquite and go over any remaining documentation needed for NSP eligibility. Other documentation that may be accepted and reviewed at this time include:
 - Loan Estimate
 - Homebuyers will also need to pay at least \$1,000 toward the cost of the home. This cost can go toward the down payment, closing costs, or principal reduction.
4. Prior to closing, the homebuyer shall submit a copy of their Closing Disclosure form (if using another lender other than Service First Mortgage) to the City of Mesquite for review.
5. Once closing costs have been determined, the Homebuyer will be asked to review and sign the following in order to complete sale.
 - Buyer disclosure form which outlines major provisions of NSP
 - Subordinate Deed of Trust
 - Subordinate promissory note which secures closing cost assistance

PERIOD OF AFFORDABILITY POLICY

One of the goals of NSP is to ensure that properties purchased using NSP funds, if sold by the initial NSP buyer, continues to remain affordable to buyers with low- or moderate-incomes. In order to help achieve this goal, the City of Mesquite stated in its NSP Substantial Amendment that it would adopt the minimum period of affordability of the HUD HOME program standards, which are outlined in 24 CFR Part 92.252(a), (c), (e) and (f) and 24 CFR Part 92.254. The minimum period of affordability is dependent on the amount of subsidy received by the buyer. If the subsidy is \$15,000 or less, then the period of affordability is 5 years from the date of closing. If the subsidy is \$15,001 to \$40,000, the period of affordability is 10 years. If the subsidy amount is \$40,001 or greater, the period of affordability is 15 years.

Recapture Provision

In order to ensure compliance with the minimum period of affordability for each NSP-assisted property, the City will ensure that deed restrictions and/or land covenants are in place that will institute recapture provisions if the initial NSP buyer sells the property prior to the end of the affordability period. If the initial NSP buyer sells the property or otherwise transfers title during the affordability period, the city will recapture the NSP subsidy on a pro rata basis that corresponds with the length of time remaining in the minimum affordability period.

For example, if the NSP subsidy to the initial NSP buyer was \$20,000, the affordability period would be 10 years. If the initial NSP buyer sold the property (or stopped using the property as his or her primary residence) after living in the home for 5 years, 50% of the affordability period would remain and the City would recapture 50% of the NSP subsidy. In this case, the recaptured amount would be \$10,000. Any funds recaptured in such a scenario will be used by the City for NSP purposes.

Refinancing

If an NSP buyer chooses to refinance before the affordability period the buyer or the buyer's lender is required to contact the NSP Coordinator to file a request to re-subordinate the lien for the remainder of the affordability period. Buyers who decide to cash-out refinance or reverse mortgage, will be required to pay the full amount of the subsidy before the lien will be released. After that, no further NSP requirements or regulations apply. After that, no further NSP requirements or regulations apply.

Policy on Monitoring the Continued Affordability of NSP Properties

If an NSP property would were to be sold during the affordability period, the City would become aware of the transaction because of deed restrictions or other similar mechanism that would make any sale of the property during the affordability period contingent upon

satisfaction of recapture provisions. In addition, as a safeguard and added means of monitoring and verifying compliance with the recapture requirements of the NSP, the City will annually verify ownership information for each property using information available on the website of the Dallas Central Appraisal District (DCAD) and will search for the most recently recorded deed for each property on the website of the Dallas County Land Records office.

In order to monitor the owner-occupancy status of NSP-assisted properties, City staff will examine the City's utility billing records for the properties at least annually to verify that all City utility accounts associated with the properties remain in the name of the respective NSP buyers. If it is discovered that the owner of an NSP property no longer occupies the property as his or her primary residence, the City will attempt to recapture, on a pro rata basis, the portion of the NSP subsidy that corresponds with the portion of the affordability period that remained at the time when the owner stopped using the property as his or her primary place of residence.

HOUSING REHABILITATION STANDARDS

General Information

The Housing Quality Standards (HQS) are outlined at 24 CFR Part 982.401. The City has adopted the 2015 International Property Maintenance Code and the 2015 International Residential Code as its building code. Rehabilitation work will be performed to ensure that the properties meet the requirements of both of these accepted standards. In cases in which the HQS standards, the 2015 International Property Maintenance Code, and/or the 2015 International Residential Code address the same condition, rehabilitation work will conform to the highest or most restrictive code or standard. Adherence to these codes and standards will help to promote housing safety, quality, and habitability, which will help the City to progress toward its goal of stabilizing neighborhoods in Mesquite.

Property Assessment

In order to ensure that NSP rehabilitation work complies with these standards, one of the City's staff inspectors will perform an HQS inspection and provide a report summarizing findings during the inspection ("HQS Report"). The City will also request a home inspection from a Professional Inspector licensed by the Texas Real Estate Commission (TREC), who will provide a report describing the condition of the components and systems at the property and any deficiencies ("TREC Report"). This will help the City's NSP staff to identify potential deficiencies or code violations at the property not addressed during an HQS inspection. Finally, the City will request a Wood-destroying Insect inspection by an inspector licensed to perform such inspections in the State of Texas, who will furnish a report summarizing the findings of the Wood-destroying Insect inspection ("WDI Report").

There may be cases in which these inspections suggest that additional, more specialized inspections or assessments are warranted in order to ensure the safety and/or structural integrity of NSP properties. These may include, but are not limited to, mold assessments and inspection by a structural engineer. Inspectors, assessors, engineers, or other professionals who are licensed and/or certified in the State of Texas to perform the type of inspections or assessments for which they have been hired will perform additional inspections. If additional inspections are performed, the City will perform repairs or remediation efforts recommended by the respective inspectors, assessors, engineers, or other professionals if the repairs are deemed necessary to maintain or restore the health of occupants, or the safety or structural integrity of the house.

In addition to the inspections described above, the City will order lead-based paint risk assessments for all NSP properties originally constructed prior to 1978. Qualified contractors

who have been certified/licensed to perform such assessments in the State of Texas will perform these risk assessments. In cases where lead-based paint is identified at a property, any rehabilitation work that may disturb lead-based paint at the property will be performed in accordance with applicable Federal, State, and Local laws, regulations, and ordinances.

Optional Energy Efficiency/Green Building Practices

In addition to bringing NSP properties into compliance with HQS standards and the City's adopted building codes, energy efficiency modifications are encouraged whenever feasible. Examples may include, but are not limited to, the replacement of missing or inoperable refrigerators, ovens, ranges, and/or dishwashers with Energy Star rated appliances, and replacement of broken or damaged windows and/or doors with more energy-efficient insulated windows and/or doors. "Green" modifications are also encouraged whenever feasible. Examples may include, but are not limited to, the replacement of damaged/inoperable existing toilets with high-efficiency toilets, or replacement of damaged/inoperable existing bathroom/kitchen faucets with low flow fixtures.