



## **NEIGHBORHOOD STABILIZATION PROGRAM**

### **HOME SALES PROGRAM GUIDANCE**

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## 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 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 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 NSP funds shall be used for the acquisitions and rehabilitation 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
<b>50% AMI</b>	<b>\$27,050</b>	<b>\$30,900</b>	<b>\$34,750</b>	<b>\$38,600</b>	<b>\$41,700</b>	<b>\$44,800</b>	<b>\$47,900</b>	<b>\$51,000</b>
<b>120% AMI</b>	<b>\$64,850</b>	<b>\$74,100</b>	<b>\$83,400</b>	<b>\$92,650</b>	<b>\$100,050</b>	<b>\$107,450</b>	<b>\$114,850</b>	<b>\$122,300</b>

\*Area Median Income for Dallas County for FY 2018, 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 a 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 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 at least 5 years
- Provide at least \$1,000 toward loan cost or fees (down payment, closing costs, principal reduction)

#### **WAITING LIST**

The waiting 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, the submission of a complete NSP application and a



prequalification letter from a lender will ensure prompt review from a NSP coordinator to determine NSP eligibility. All complete NSP eligibility applications and prequalification letters submitted will be served on a first-come, first-served basis. Applicants who do not meet the income eligibility requirements will not be placed on the waiting list. In addition, **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 days for review):

- Thoroughly completed NSP Eligibility Application
- A copy of the Prequalification Letter from lender
- 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 (18 years & 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 above 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
<b>Community Services</b> <b>1616 N. Galloway Avenue</b> <b>Mesquite, TX, 75149</b>	<b>Community Services</b> <b>PO BOX 85137</b> <b>Mesquite, TX, 75185-0137</b>	<b>972.216.6425</b>	<b>kmunerlyn@cityofmesquite.com</b>

**APPLICANT INTAKE**

All applications should be submitted to Realtor Alicia Trevino after viewing available properties. 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](mailto:alicia@aliciatrevino.com). All completed application will then be submitted to the NSP Coordinator. The submission of a completed NSP eligibility application and a prequalification letter shall prompt a NSP coordinator to conduct the initial income eligibility 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 should be addressed and/or clarified with the applicant through their preferred method of contact. **Submission of an application does not guarantee approval or assistance through the NSP. All application are review by NSP staff to ensure income eligibility and compliance with HUD regulations.**

After the initial review of financial information and the applicant has been determined eligible for the NSP program, a NSP coordinator will contact the applicant to arrange a meeting in order to go over any remaining financial documentation. During this meeting, applicants will be advised to bring any remaining financial documentation needed to determine eligibility.



During the initial meeting with a NSP coordinator, applicants will be advised of available homes for sale based upon an applicant's income at either 50% or 120% of area median income. The assignment of homes based on income helps to meet the 25% set aside for low-income households as established by HUD.

Applicants should also be advised to request a Closing Disclosure and a Loan Estimate previously known as a Good Faith Estimate (LOAN ESTIMATE) from their lender upon submitting a loan application for their desired home. The Loan Estimate or LOAN ESTIMATE is a standardized HUD document, which details the costs/charges associated with obtaining a mortgage loan. Additionally under the Real Estate Settlements Procedures Act (RESPA), lenders are required to issue a LOAN ESTIMATE within three (3) days of receiving a loan application. Prospective NSP applicants should be advised of their rights when obtaining mortgage loan, which can be found at the following address: <https://www.fdic.gov/regulations/compliance/manual/5/v-3.1.pdf>

#### **HOME BUYER 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. Online homebuyer certifications will not be accepted.**

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

A copy of the homebuyer’s Loan Estimate will be 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 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 \$5,250 of closing cost assistance on behalf of Homebuyer**

Year	Dates of occupancy	Amount Forgiven	Amount Due
0	February 13, 2018– February 12, 2019	0	<b>\$5,250</b>
1 <sup>st</sup>	February 13, 2019 – February 12, 2020	20% - \$1,050	<b>\$4,200</b>
2 <sup>nd</sup>	February 13, 2020 – February 12, 2021	40% - \$2,100	<b>\$3,150</b>
3 <sup>rd</sup>	February 13, 2021 – February 12, 2022	60% - \$3,150	<b>\$2,100</b>
4 <sup>th</sup>	February 13, 2022 – February 12, 2023	80% - \$4,200	<b>\$1,050</b>
5 <sup>th</sup>	February 13, 2023 or after	100% - \$5,250	<b>\$0</b>

**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. Interested NSP homebuyers will also need to be prequalified with a lender of their choice:
  - All interested applicants should complete a homebuyer education course with a HUD-approved agency before submission of application.
  - Applicant should obtain a prequalification letter from a trusted lender that should include the maximum loan amount eligible to the homebuyer
  - Lenders will also need to complete the “Lender Certification” form available on the City of Mesquite’s NSP website (Lender may contact Kynira Munerlyn at 972.216.6425 for questions regarding NSP guidelines). It is recommended that the





Lender assist the homebuyer in completing the application and submitting the application the City's Realtor.

2. The applicant can then contact the City's Realtor to set up a tour of the home and make an offer. All applications will be submitted to the City's Realtor for further review.
3. Income eligible homebuyers will meet with the City of Mesquite to go over NSP prequalification letter and any remaining documentation needed for NSP eligibility. Other documentation that may be accepted and reviewed at this time include:
  - Signed "Lender Certification" form
  - Loan Estimate
  - Homes available will be determined by homebuyer's income eligibility at 50% or 120% of area median income
  - 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 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 the Neighborhood Stabilization Program (NSP) is to ensure that properties purchased using NSP funding continue to remain affordable to buyers with incomes of 120% of the area median income (AMI) if the properties should be sold by the initial NSP buyers. In cases where NSP properties are initially sold to buyers whose total combined annual household



incomes do not exceed 50% of the AMI, the goal is to ensure that those properties remain affordable to buyers at income levels that do not exceed 50% of the AMI.

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 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 less than \$15,000, then the period of affordability is 5 years from the date of closing. If the subsidy is \$15,000 to \$40,000, the period of affordability is 10 years. If the subsidy amount is greater than \$40,000, the period of affordability is 15 years.

In order to ensure compliance with the minimum period of affordability for each NSP-assisted property, the City will ensure that deed restrictions or land covenants are in place that will institute resale or recapture provisions if the initial NSP buyer must sell 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, one of the following requirements must be met:

- *Resale provision:* The initial NSP buyer may sell the property to an NSP-eligible buyer whose income does not exceed 120% of the AMI (or 50% of the AMI, if the initial NSP buyer was assisted under the 50% AMI component of the City's NSP). The new buyer must occupy the property as his or her primary residence. The city will ensure that the deed restriction or other similar mechanism allows the city to verify NSP eligibility of any new buyer and makes any sale or other transfer of title during the affordability period contingent upon approval of from the City of Mesquite. If such resale activities occur, the city will ensure that deed restrictions or land covenants remain in place in order to ensure that the new NSP buyer complies with NSP requirements for the remaining portion of the minimum period of affordability.
- *Recapture Provision:* If the initial NSP buyer ceases to occupy the property as his or her primary residence, or sells the property to a buyer who is not eligible under NSP guidelines, or if the new buyer will not occupy the home as his or her primary residence, 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 \$10,000, the affordability period would be 5 years. If the initial NSP buyer sold the property to a buyer who was ineligible for NSP assistance (or stopped using the property as his or her primary residence) after living in the home for 4 years, 20% of the affordability period would remain. The City would



recapture 20% of the NSP subsidy. In this case, the recaptured amount would be \$2000. Any funds recaptured in such a scenario will be used by the City for NSP purposes.

- *Cash-out refinance or Reverse Mortgages:* if the initial 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 remaining of the affordability period. If the buyer decides to cash-out refinance or reverse mortgage, the buyer is then required to pay the full amount of the subsidy before the lien will be release. 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 resale provisions that would require City approval of any sale or other transfer of title. However, as a safeguard and additional means of monitoring and verifying compliance with the resale/recapture requirements of the NSP, the City will verify ownership information for each property using information available on the Web site of the Dallas Central Appraisal District (DCAD) and will search for the most recently recorded deed for each property on the Web site of the Dallas County Land Records office. This will be done on an at least an annual basis for the duration of the period of affordability.

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 2006 International Property Maintenance Code and the 2006 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 2006 International Property Maintenance Code, and/or the 2006 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.