



Housing Trust Fund
2010 - 2011 Homebuyer Assistance Program
Notice of Funding Availability (NOFA)
Published and Released March 7, 2011

The Texas Department of Housing and Community Affairs (“the Department”) announces the availability of approximately \$1.6 million in funding from the 2010-2011 Housing Trust Fund (HTF) appropriation for the Homebuyer Assistance Program (“HBA Program”). Of this amount, four percent (4%) will be set-aside for an administrative fee paid to the Administrator upon the closing of each loan. In an effort to serve various populations throughout the state and improve upon the efficiency of the traditional funding method, a reservation system will be utilized with this Notice of Funding Availability (NOFA). Eligible Applicants must be approved by the Department to participate in the HBA Program and must execute a Loan Origination Agreement (LOA) in order to originate loans under the HBA Program and utilize the Reservation System to secure these funds for an eligible Borrower.

The HBA Program serves First-Time Homebuyers and Veterans whose annual income does not exceed 80% of the Area Median Family Income (AMFI), as defined by the Department. Eligible Borrowers may receive up to a \$10,000 zero percent interest loan. Funds may be used for down payment, gap financing, and/or closing cost assistance for the acquisition of a Single Family Home that must be the principal residence for the eligible Borrower. The loan is repayable and amortized over a period between five and ten years, as selected by the Borrower. The first payment will be due no later than the sixty-first (61) month after the first payment date of the Senior Lien loan.

Eligible Applicants are Units of Local Government, Nonprofit Organizations, Public Housing Authorities (PHAs), for-profit organizations or any other entity authorized by the Department’s Executive Director.

The Department will begin accepting Applications to access the Reservation System starting on Friday, **March 7, 2011**, and will continue to grant access on an ongoing basis until the earlier of when all HBA Program funds are reserved, or until Friday **December 28, 2011**. This NOFA is not subject to the Regional Allocation Formula (RAF). Funds for the HBA Program were regionally allocated during the previous release of this NOFA on June 18, 2010 and these funds represent funds not utilized in the process.

The availability and use of these funds are subject to the Chapter 2306 of the Texas Government Code and Texas Administrative Code, Title 10, Part 1, Chapter 51 (HTF Rule).

Definitions

- a) Definitions are provided in Chapter 2306 of the Texas Government Code and the HTF Rule. Any capitalized terms not specifically mentioned in this section shall have the meanings ascribed to them in Chapter 2306 of the Texas Government Code and HTF Rule.
- b) In addition, this NOFA uses the following definitions:
- i. Administrative Fee- Eligible costs to operate and administer the Program. The Administrator will be paid a four percent (4%) administration fee upon the closing of each loan. Administrative Fee must be requested at the same time as the funding request.
 - ii. Administrator-A unit of government, nonprofit entity or other party who has a written signed agreement or Contract with the Department committing the Department to provide funds upon the completion of certain actions called for in the agreement or Contract.
 - iii. Applicant-A person who has submitted an application for Department funds.
 - iv. Borrower- An individual(s) who receives or borrows an amount of money from the Department and is a reservation pursuant to this NOFA and is obligated to pay back or repay an equal amount of money to the Department at a later time.
 - v. Contract-The executed written agreement between the Department and an Administrator performing an activity related to a program that outlines performance requirements and responsibilities assigned by the document.
 - vi. MITAS Internet Loan Reservation System-The MITAS Internet Loan Reservation System collects general data regarding the mortgage the Borrower wishes to obtain. The MITAS Internet Loan Reservation System must be utilized by Administrators to reserve HBA Program funds as specified in this NOFA. This NOFA refers to the MITAS Internet Loan Reservation System as the Reservation System.
 - vii. Department-The Texas Department of Housing and Community Affairs or any successor agency.
 - viii. First-Time Homebuyer-
 - (1) An individual who has had no ownership in a principal residence during the three year period ending on the date of purchase of the property.
 - (2) A single parent who has only owned with a former spouse while married.
 - (3) An individual who is a displaced homemaker and has only owned with a spouse.
 - (4) An individual who has only owned a principal residence not permanently affixed to a permanent foundation in accordance with applicable regulations.
 - (5) An individual who has only owned a property that was not in compliance with State, local building codes and which cannot be brought into compliance for less than the cost of constructing a permanent structure.
 - ix. Funding Request- Program funds approved by the Department to be disbursed to the Administrator.

- x. Loan-to-Value (LTV) Ratio- The amount of all mortgage liens as a percentage of the total appraised value of real property.
- xi. Project Costs- HBA Program funds that directly assist an eligible Borrower in the form of down payment, gap financing and/or closing costs.
- xii. Reservation- An amount of funds reserved for a specific Borrower whose eligibility has been verified by the Administrator and the Department.
- xiii. Reservation System- System (through the MITAS Internet Loan Reservation System) utilized by Administrators to reserve and draw HBA Program funds for the purposes specified in this NOFA.
- xiv. Senior Lien- A lien that takes priority over the Department's lien and any subsequent liens.
- xv. Setup- The submission of required information into the Reservation System in order to reserve HBA Program funds for an eligible Borrower for the activities specified in this NOFA.
- xvi. Single Family Home- A single-family detached unit, condominium unit, manufactured housing unit (as defined in the Housing Trust Fund Rule), townhome and/ or a single unit in a duplex or triplex.
- xvii. Veteran- A Veteran is a Person who:
 - (1) Served no fewer than 90 cumulative days on active duty (including active duty for training) in the Army, Navy, Air Force, Marines, Coast Guard or United States Public Health Service (unless discharged sooner by reason of a service-connected disability), OR have enlisted or received an appointment in the National Guard or a reserve component of one of the listed branches of service after completing all initial active duty training requirements as a condition of enlistment or appointment, OR have completed 20 years in a reserve component so as to be eligible for retirement.
 - (2) Not been dishonorably discharged. A person who has been discharged from the branch of the service in which the person served or from the National Guard is considered not to have been dishonorably discharged if the person:
 - received an honorable discharge;
 - received a discharge under honorable conditions; or
 - received a discharge and provides evidence from the VA, its successor, or other competent authority that indicates that the character of the person's discharge has been determined to be other than dishonorable.
 - (3) The unmarried, surviving spouse of a Texas veteran who is missing in action (MIA) or who died in the line of duty or from a service-related cause may be eligible to participate in the programs. The veteran's home of record must have been Texas at the time of entry into the service, **or** the veteran must have been a legal resident of Texas at the time of death.

2) Eligible Applicants

The following organizations are eligible to apply to administer the HBA Program:

- a) Units of Local Government;
- b) Nonprofit Organizations;
- c) Public Housing Authorities (PHAs);
- d) For-Profit Organizations; and
- e) Any other entity authorized by the Department's Executive Director.

Organizations interested in applying to administer the HBA Program must complete the Homebuyer Assistance Program Certification Application.

Organizations that are currently approved to participate in the Department's Texas First Time Homebuyer Program and the Texas Bootstrap Loan Program must complete only page one of the Homebuyer Assistance Program Certification Application and must execute a Loan Origination Agreement.

The Homebuyer Assistance Program Certification Application may be downloaded from the Department's web-site located at <http://www.tdhca.state.tx.us/htf/nofa.htm>.

3) HBA Program Requirements

- a) The HBA Program provides eligible Borrowers with down payment, gap financing, and closing costs assistance for the acquisition of a Single Family Home that must be used as a principal residence.
- b) Eligible property types are Single Family Homes.
- c) Eligible Borrowers must be First-Time Homebuyers or Veterans.
- d) Borrower's income may not exceed 80% of the Area Median Family Income (AMFI). For properties located in those counties where the AMFI is *lower* than the state median income, Administrators may use the state median income, adjusted for Household size, as defined by HUD, to determine income eligibility.
- e) For income purposes, the income of a non-purchasing spouse must be taken into account when determining if the Borrower's income does not exceed 80% of the AMFI or state median income.
- f) Borrower(s) may not have liquid assets in excess of \$15,000 (excluding retirement and/or 401K accounts).

4) Mortgage Loan

- a) The home must be secured by a Mortgage as defined in the HTF Rule.
- b) The HBA Program lien may only be 2nd or 3rd lien position.
- c) Senior Liens must meet the following Loan requirements, which shall be verified by an executed Loan Underwriting and Transmittal Summary (such as Fannie Mae form 1008) or equivalent document(s) approved by the Department as defined in the HTF Rule:
 - i. The Senior Lien loan must be a fully amortized, fixed-rate loan and cannot be an adjustable rate Mortgage (ARM) or Subprime Mortgage Loan.
 - ii. The following types of loans may be used in conjunction with the program:
 - (1) FHA
 - (2) VA
 - (3) USDA/RD/RHS

- (4) Fannie Mae Conventional
- (5) Freddie Mac Conventional
- iii. Uninsured loans may be used with the HBA Program subject to the Department's approval.
- iv. Fee/Points Administrator may charge borrower. Unless the Senior Liens(s) are insured or guaranteed by USDA, FHA, VA, Fannie Mae or Freddie Mac, the following fee limits apply:
 - (1) Origination Fee: 1%
 - (2) Buyer Points: 1%
 - (3) Title Policy (if paid by Borrower): 1%
 - (4) Application Fee: May not exceed \$325 (includes compliance & funding fees)
 - (5) Other Closing Costs: Must be fully disclosed on HUD-1 and may not exceed 1.5% of loan amount.
- d) Maximum Debt Ratio. The total debt-to-income ratio may not exceed 45%, unless the Senior Lien(s) are insured or guaranteed by USDA, FHA, VA, Fannie Mae or Freddie Mac.
- e) Home value limits. The total contracted purchase price of the housing unit must not exceed the Single Family Mortgage Limits under Section 203(b) of the National Housing Act and the Loan-to-Value (LTV) ratio may not be equal to or greater than 100%.
- f) The Department reserves the right to deny assistance in the event that the Senior Lien conditions are not to the satisfaction of the Department, as outlined in this NOFA and the HTF Rule.

5) Department Lien and Loan Requirements

- a) A Borrower may receive a 0% interest loan up to \$10,000 for down payment, gap financing and/or closing costs for the purchase of a principal residence.
- b) The loan is repayable and may be amortized over a period of between five (5) and ten (10) years, as selected by the Borrower. The first payment will be due no later than on the sixty-first (61) month after the first payment date of the Senior Lien loan.
- c) If, any time prior to the end of the loan term, the Borrower sells the property, or no longer occupies the property as their principal residence, the remaining loan balance shall become immediately due and payable.

6) Reservation System Guidelines

- a) In accordance to the HTF Rule and Compliance Administration Rule, an Applicant is ineligible to access the HBA Program until any past due audit has been submitted to the Department in a satisfactory format with no unresolved findings. Not applicable if currently participating in the Department's First-Time Homebuyer Bond Program.
- b) Administrators of active HBA Program Contracts may apply to access the Reservation System, but a setup will not be approved and no funds will be reserved until 100% of the funding for their previous HBA Program Contract is committed and all performance benchmarks are being met.
- c) HBA Program Implementation. Administrators will market the HBA Program, complete application intake, and qualify Borrowers for participation in the HBA Program. Once all required documents are completed and the eligible Borrowers execute a sales contract

and is approved for a mortgage loan, the Administrator may reserve Project Costs for the Borrower in the Reservation System.

- d) Funds Availability. HBA Program funds are available on first-come, first-serve basis. Submission of a Setup on behalf of a Borrower does not guarantee funding.

7) De-authorization. In accordance to the HTF Rule the Department may de-authorize access to Reservation System and the Loan Origination Agreement will be terminated if the requirements in this NOFA are not met. For the purposes of this NOFA, de-authorization is treated as a funding deobligation as outlined in the HTF Rule.

8) Reserving Funds (Setups).

- i. After a purchase contract has been executed, the Administrator may submit a Setup in order to reserve funds for the Borrower in the Department's Reservation System. All documents listed on the setup checklist must be submitted for review and approval prior to closing of the Senior Lien.
- ii. Upon submission of the information to the Department via the Reservation System the Administrator must submit to the Department all documents listed on the setup checklist via regular mail or email. Department staff will review the submitted documentation within **ten (10) business days** in accordance with the HTF Rule and NOFA.

If the Setup is approved by the Department, it becomes a Reservation and is valid for **one hundred twenty (120) days** and the Administrator must ensure that all mortgage loans are closed during this **one hundred twenty (120) day** period. A Setup that has not been approved by the Department and is incomplete or has not been corrected by the Administrator will not become a Reservation. The Administrator must resubmit the Setup documents with corrections completed if funds are available.

- iii. Maximum Pending Setups. At any one time, the Administrator may have up to ten (10) unapproved Setups awaiting approval ("pending") in the Reservation System. If the Administrator has the maximum ten (10) Setups pending, new Setups will only be reviewed by the Department once an existing unapproved Setup becomes a Reservation (if approved) or is cancelled.
- iv. Extensions. The Department may grant one-time extension of **thirty (30) days** to any Reservation due to extenuating circumstances that were beyond the Administrator's control upon receipt and approval of a written request. If the Administrator cannot close the loan within the **thirty (30) day** extension, the Reservation may be cancelled. The Administrator may submit another Setup if funding is available.

9) Reservation Modification. After a Reservation has been approved the Administrator will not be permitted to change, exchange, replace or switch Borrower applicants.

10) Funding Requests. Funds may be reimbursed to the Administrator for eligible Project Costs and Administrative Fees that occur within the Contract period.

- i. Funding Requests. The Administrator must submit a Funding Request after a Reservation is approved and all mortgage loans have closed. A Funding Request may be submitted to the Department via regular mail or email and must be submitted along with all documents required by the Department.
- ii. Administrative Fee requests. After an eligible Borrower closes the mortgage loan, the Administrator must submit a Funding Request for the Administrative Fee.

- iii. Upon submission of the Funding Request to the Department via regular mail or email the Department will review the submitted documentation within **ten (10) business days** in accordance with this NOFA and HTF Rule.
- iv. If a Funding Request is in “disapproved” status for more than **thirty (30) days** in the Reservation System without further correction(s) from the Administrator, the Department will delete the reservation from the Reservation System.

11) Housing Standards and Requirements.

If, the Senior Lien(s) are insured or guaranteed by USDA, FHA, VA, Fannie Mae or Freddie Mac, no inspection is required.

Uninsured loans utilizing HBA Program funds must be inspected and meet the following requirements:

- a) New Construction: If the property being purchased is a new construction and located within an incorporated area where certain building codes must be met, the Department will require a copy of the certificate of occupancy. If no certificate of occupancy is available from an incorporated area the Administrator must obtain a document from the local government entity indicating that the home has passed all required building codes. A copy of the certificate of occupancy or any other document received from the local governing entity must be submitted to the Department for approval upon completion of construction. All new construction properties located outside an incorporated area must be inspected by a third party professional inspector licensed by the Texas Real Estate Commission (TREC).
- b) Existing Homes: If the property being purchased is located inside or outside an incorporated area; inspections of the property will be required to be completed by a third party professional inspector licensed by the TREC.

All final inspections must ensure the house is complete and safe. In both instances any deficiencies noted on the certificate of occupancy or the third party inspector’s report must be corrected prior to closing unless approved by the Department.

The Administrator, Seller and/or the Borrower will be responsible for the selection and/or the fee of a licensed TREC inspector.

12) Questions regarding this NOFA should be addressed to:

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