



CITY OF CLEARWATER DOWN PAYMENT ASSISTANCE MANUAL

DOWN PAYMENT ASSISTANCE PROGRAM ADMINISTERED BY THE CITY OF CLEARWATER OR ITS DESIGNEE

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CITY OF CLEARWATER **DOWN PAYMENT ASSISTANCE (DPA) GUIDELINES**

(EFFECTIVE 8/2020)

OVERVIEW

The underwriting guidelines describe program requirements and specify the role of City of Clearwater and its down payment assistance partners. The underwriting guidelines listed below are designed to determine the amount of down payment assistance required and an applicant's financial capacity for repayment of the assistance.

The City of Clearwater offers down payment assistance loans to income eligible homebuyers purchasing property within the city limits of Clearwater. When determining the amount of assistance, the lender's minimum down payment and reasonable closing costs will be considered according to the HOME regulations at 24 CFR 92.254.

GENERAL REQUIREMENTS

Funding provided will be for down payment and closing cost assistance associated with the acquisition of existing or newly constructed homes. Applications will be reviewed and processed on a first-come; first qualified basis.

SECTION 1 – ELIGIBLE APPLICANTS

Eligible applicants include households who:

- have an annual income at or below 80% of Area Median Income;
- have a housing debt-to-income ratio that exceeds 20% ;
- have a total debt-to-income ratio of less than 45%;
- qualify for a new, 30-year, fixed rate first mortgage from a lending institution. The first mortgage must include escrows for property taxes and hazard/flood insurance, if applicable. Adjustable rate mortgages, balloon mortgages, mortgage assumptions, and mortgages that include prepayment penalties are not allowed; and
- meet all other requirements, as applicable.

SECTION 2– ASSISTANCE AMOUNTS

The maximum assistance that a borrower can obtain from the City's Down Payment Assistance (DPA) program is not to exceed **\$45,000** for existing and newly built homes.

SECTION 3 – MAXIMUM INCOME

Household income must be at or below 80% of Area Median Income. See the most current income limits, based on household size below.

The current combined gross annual household income, from all sources, cannot exceed the most current, adjusted annually, limits set by the Department of Housing and Urban Development (HUD) for Tampa-St. Petersburg-Clearwater, Florida Metropolitan Statistical Area (MSA).

City of Clearwater uses the most common methodology for determining annual income defined in Title 24 of the Code of Federal Regulations, section 5.609 (commonly referred to as 24 CFR Part 5). Always use current circumstances to project income, unless verification forms indicate that a significant change will occur over the next 12-month period.

Household Income

Income limits vary by family size. When determining household income, all household members are counted, regardless of who is determined eligible/qualified for the first mortgage loan. All household income of persons 18 years and older, who will reside in the property, must be included. Income limits are published annually and are available from the local HUD office or on-line at www.huduser.org.

Co-Borrowers - All parties who appear on title to the property must meet all criteria of the Program, including income limits and asset limitations. If the co-borrower does not intend to reside in the home, they are not included in the household size, but the co-borrower's income is included in the annual income calculation.

INCOME LIMITS

HOME Funds (Effective 6/1/2021)

Number of Persons Residing or Intending to Reside in the Household	50% MFI MAXIMUM ANNUAL GROSS INCOME (MFI = Median Family Income)	80% MFI MAXIMUM ANNUAL GROSS INCOME (MFI = Median Family Income)
1	\$25,850	\$41,350
2	\$29,550	\$47,250
3	\$33,250	\$53,150
4	\$36,900	\$59,050
5	\$39,900	\$63,800
6	\$42,850	\$68,500
7	\$45,800	\$73,250
8	\$48,750	\$77,950

SHIP INCOME LIMITS (EFFECTIVE 4/1/2021)

INCOME ELIGIBILITY LIMITS HUD Release Date – April 1, 2021					
Household Size	100% Median Income	30% Median (Extremely Low) Income	50% Median (Very Low) Income	80% Median (Low) Income	120% Median (Moderate) Income
1 Person		\$15,500	\$25,850	\$41,350	\$62,040
2 Persons		17,750	29,550	47,250	70,920
3 Persons		21,960	33,250	53,150	79,800
4 Persons	72,700	26,500	36,900	59,050	88,560
5 Persons		31,040	39,900	63,800	95,760
6 Persons		35,580	42,850	68,500	102,840
7 Persons		40,120	45,800	73,250	109,920
8 Person		44,660	48,750	77,950	117,000
GROSS (UNADJUSTED) MEDIAN HOUSEHOLD INCOME - \$72,700					

SECTION 4 - INCOME REQUIREMENTS

Third-party verifications of income and assets and two months of source documentation, no more than 120-days old, are required. This requirement is often referred to as the “120-day clock” policy, since it refers to the period of time during which third-party income and asset verification forms are considered to be up-to-date and valid. The clock starts when the applicant’s first verification form is received. If more than 120 days lapse prior to assistance being provided, new and updated verifications forms must be obtained.

To be eligible for assistance, the borrower’s total current combined gross annual household income from all sources cannot exceed the limits set by the Department of Housing and Urban Development (HUD) for Tampa-St Petersburg-Clearwater, Florida Metropolitan Statistical Area (MSA).

What is included in household income? The total current, annualized gross income, before taxes and withholding, of the purchaser and all adult members, 18 and over, residing or intending to permanently reside in the residence. This includes a spouse, fiancé, parent, relative, adult child, etc.

The income of all household residents will be considered regardless of:

- what type of income is being received;
- how long it has been received prior to application;

- whether or not the household member will take title to the property or be part of the mortgage transaction; or
- whether or not the income is being used by the first mortgage lender.

The following shall be **included** as income:

1. The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;
2. The net income from operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family;
3. Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in number two, above.
4. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD;
5. The full amount of periodic amounts received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump -sum amount or prospective monthly amounts for the delayed start of a **periodic amount (e.g., Black Lung Sick benefits, Veterans Disability, Dependent Indemnity Compensation, payments to the widow of a serviceman killed in action). ***See paragraph (13) under Income Exclusions for an exception to this paragraph.*
6. Payments in lieu of earnings, such as unemployment, disability compensation, worker's compensation, and severance pay, except as provided in paragraph (3) under Income Exclusions.
7. Welfare Assistance
 - a. Welfare assistance received by the family
 - b. If the welfare assistance payment includes an amount specifically designated for shelter and utilities, that is subject to adjustment by the welfare assistance agency, in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:
 - i. The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus
 - ii. The maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph shall be the amount resulting from one application of the percentage.

8. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling; and
9. All regular pay, special pay, and allowances of a member of the Armed Forces, except as provided in paragraph (7) under Income Exclusions.

The following shall be **excluded** as income:

1. Income from employment of children (including foster children) under the age of 18 years.
2. Payments received for the care of foster children or foster adults (usually persons with disabilities unrelated to the tenant family, who are unable to live alone).
3. Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains, and settlement for personal or property losses, except as provided in paragraph 1 under Income Inclusions;
4. Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member.
5. Income of a live-in aide, as defined in 24 CFR 5.403.
6. The full amount of student financial assistance paid directly to the student or to the educational institution.
7. The special pay to a family member serving in the Armed Forces who is exposed to hostile fire (e.g., in the past, special pay included Operation Desert Storm).
8. Amounts received under training programs funded by HUD (e.g., training received under Section 3).
9. Amounts received by a person with a disability that are disregarded for a limited time for purposes of supplemental security income eligibility and benefits because they are set-aside for use under a Plan to Attain Self-Sufficiency (PASS);
10. Amounts received by a participant in other publicly assisted programs that are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program;
11. Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the owner, on a part-time basis, that enhances the quality of life in the project. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, and resident initiative coordination. No resident may receive more than one such stipend during the same period of time; or
12. Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training programs not affiliated with a local government) and training of a family member as a resident management staff person. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives and are excluded only for the period during which the family member participates in the employment training program.
13. Temporary, nonrecurring, or sporadic income (including gifts).

14. Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era.
15. Earnings in excess of \$480 for each full-time student 18 years or older (excluding the head of household and spouse).
16. Adoption assistance payments in excess of \$480 per adopted child.
17. Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump-sum amount or in prospective monthly amounts.
18. Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit.
19. Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home.
20. Amounts specifically excluded by any other federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the Federal Register and distributed to housing owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary.

Determinations of what are included and excluded forms of income are detailed above and in the Code of Federal Regulation at 24 CFR Part 5. In general, income from all household members are considered regardless of:

- what type of income is being received
- how long it has been received prior to application
- whether or not the household member will take title to the property or be part of the mortgage transaction
- whether or not the income is being used by the first mortgage lender
- whether or not the household member actively contributed to the household expenses

The calculation of annual household income by the City of Clearwater differs from the calculation of qualifying income by the first mortgage lender. The City, or its designee, is responsible for complying with all income requirements of the federal government as well as the requirements of the state of Florida funding sources (State Housing Initiatives Partnership (SHIP) and HOME Investment Partnerships Program), while the lender is responsible for complying with all income requirements associated with the first mortgage (as per the appropriate Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), Department of Housing and Urban Development (HUD) or the Department of Veterans Affairs (VA) guidelines.

In calculating qualifying income, secondary market requirements will not consider certain types of income, (i.e. child support that will stop in the near future, income from a relatively new part-time job, etc), and the lender will average past earnings to determine income. In some cases, the lender is also permitted to use “stated income.”

In calculating annual household income, the City does not look at prior earnings. Instead, the City and its state and federal funding sources, require income to be based on current earning levels, and it must be annualized/projected forward for the next 12 months. Income must be verified, in writing, for all adults, over the age of 18, who will reside or intend to reside in the property. Therefore, the City cannot provide assistance with first mortgages that are based on “stated income.” If the income cannot be verified, the borrower is not eligible for the program.

Annual household income will be projected using the information contained on the written Verification of Employment (VOE) form. Annual income will be calculated using current earnings unless the verification of employment (VOE) shows that a raise will be received within the next 12 months. In these cases, annual income will be determined by calculating employment income at the current rate of pay until the estimated month of the raise and then calculating the income at the higher rate for the remainder of the 12-month period.

For salaried employees or borrowers earning other types of income (i.e. Pension) the annual household income should be calculated from the written verification (i.e. VOE form, Pension Letter, etc.) using one of the following:

- Multiply gross monthly income by 12;
- Multiply gross bi-weekly income by 26;
- Multiply gross weekly income by 52;
- Multiply gross hourly income by the number of hours worked per week, multiply that result by 52.

If the income cannot be calculated using one of the above-referenced formulas, or if the borrower works varying hours, a monthly average of year-to-date earnings will be made and the result multiplied by 12.

For borrowers who are self-employed, the household income will be based on the most recent quarterly income and expense statement from the borrower. The net income on the report will be used to anticipate the amount the borrower is expected to earn from their business in the next 12 months.

To calculate household income for a self-employed borrower, multiply the net income from the past three months, as shown on the profit and loss (P&L) statement, by four.

As noted earlier, the City of Clearwater is required to consider all sources of income, including, but not limited to:

- The gross amount of wages from full and/or part-time employment
- Overtime pay, bonuses, commissions, tips, shift differential
- The full amount received from Social Security, pensions, disability benefits, Veterans Affairs benefits, annuities, retirement income, trust income, death benefits (Note: Non-taxable income is not “grossed-up”)
- Unemployment compensation, worker’s compensation or severance pay
- Net income from the operation of a business
- Child support or alimony payments. The only time child support or alimony payments are not included in income is if the borrower can provide proof that support has not been

received, via court printout, and proof that the borrower has taken action with the state's Child Support Enforcement Department to collect said support

Other type of income, to include: dividend income, asset income, rental income; assets and anticipated interest and dividend income from assets. If the borrower has more than \$5,000 in assets, multiply by 0.06 percent and that figure will be added to the annual income.

The calculation of annual household income by the City of Clearwater differs from the calculation of qualifying income by the first mortgage lender. The City, or its designee, is responsible for complying with all income requirements of the federal government as well as the requirements of the state of Florida funding sources (State Housing Initiatives Partnership (SHIP) and HOME Investment Partnerships Program), while the lender is responsible for complying with all income requirements associated with the first mortgage (as per the appropriate Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), Department of Housing and Urban Development (HUD) or the Department of Veterans Affairs (VA) guidelines.

In calculating qualifying income, secondary market requirements will not consider certain types of income, (i.e. child support that will stop in the near future, income from a relatively new part-time job, etc), and the lender will average past earnings to determine income. In some cases, the lender is also permitted to use "stated income."

In calculating annual household income, the City does not look at prior earnings. Instead, the City and its state and federal funding sources, require income to be based on current earning levels, and it must be annualized/projected forward for the next 12 months. Income must be verified, in writing, for all adults, over the age of 18, who will reside or intend to reside in the property. Therefore, the City cannot provide assistance with first mortgages that are based on "stated income." If the income cannot be verified, the borrower is not eligible for the program.

Annual household income will be projected using the information contained on the written Verification of Employment (VOE) form. Annual income will be calculated using current earnings unless the verification of employment (VOE) shows that a raise will be received within the next 12 months. In these cases, annual income will be determined by calculating employment income at the current rate of pay until the estimated month of the raise and then calculating the income at the higher rate for the remainder of the 12-month period.

For salaried employees or borrowers earning other types of income (i.e. Pension) the annual household income should be calculated from the written verification (i.e. VOE form, Pension Letter, etc.) using one of the following:

- Multiply gross monthly income by 12;
- Multiply gross bi-weekly income by 26;
- Multiply gross weekly income by 52;
- Multiply gross hourly income by the number of hours worked per week, multiply that result by 52.

If the income cannot be calculated using one of the above-referenced formulas, or if the borrower works varying hours, a monthly average of year-to-date earnings will be made and the result multiplied by 12.

For borrowers who are self-employed, the household income will be based on the most recent quarterly income and expense statement from the borrower. The net income on the report will be used to anticipate the amount the borrower is expected to earn from their business in the next 12 months.

To calculate household income for a self-employed borrower, multiply the net income from the past three months, as shown on the profit and loss (P&L) statement, by four.

SECTION 5 – CALCULATION OF ANNUAL HOUSEHOLD INCOME

Third-party verifications of income and two months of source documents are required. Obtain third-party verifications by faxing, emailing or mailing the request to the income source. The form should provide the reason for the request and the signed Authorization to Release statement from the applicant. If the employer or other third-party source does not return the written verification form, two additional attempts to obtain the verification must be made by re-sending the form. If all three attempts fail, document the effort. If these attempts fail, source documentation should be used to verify income (tax returns, pay stubs and bank statements).

All verifications must be date-stamped upon receipt and cannot be more than 120 days old at the time of Final Approval. Adult household members who are not employed will be required to execute a notarized declaration of no income.

5.1 Self-Employment/Business Income

In order to verify income from the operation of a business, the City, or its designee, is required to obtain the following documentation:

1. **INDIVIDUAL TAX RETURNS/1040 FORMS**, complete with all schedules, **FOR THE PAST TWO YEARS**. (Please note that electronic filing forms, W-2's, or Telefile forms are not acceptable). Corporation or partnership returns, if applicable, must be complete with all schedules, for the past two years.
2. **A YEAR-TO-DATE FINANCIAL STATEMENT / PROFIT & LOSS STATEMENT (for the most recent quarterly period)**. A statement prepared by a bookkeeper or accountant is preferred. If the borrower does not use an accountant, the borrower must prepare the income statement and write a letter certifying that the Profit and Loss Statement (P&L) was self-prepared and no accounting or bookkeeping services were used by their business.
3. **NOTARIZED STATEMENT FROM THE BORROWER ON THE NET AMOUNT THEY ANTICIPATE EARNING IN THE NEXT 12 MONTHS**. (This amount should be consistent with earnings reported on the last two years' tax returns. If the anticipated income is substantially higher or lower, a written explanation must be given for the difference).

5.2 Social Security, Pension Income, Retirement Benefits, etc.

Social Security, pension or retirement income/benefits must be verified by an **AWARD LETTER** from the organization providing the income (i.e. Social Security). The letter must clearly state the amount of income, the frequency of receipt (i.e. monthly, quarterly), and how long it is expected to continue.

5.3 Alimony or Child Support

To confirm this income, the following document must be obtained:

1. A complete copy of the **DIVORCE DECREE (including Marital Settlement Agreement) AND/OR CHILD SUPPORT AGREEMENT** (all pages) which shows the amount of support awarded, the frequency (i.e. weekly, monthly), and the period of time the borrower is entitled to receive it.

NOTE: If the child support or alimony is court-ordered, but the borrower does not receive it regularly, it must still be included in household income unless the borrower can show proof that they have begun proceedings with the state's Child Support Enforcement Division against the spouse who is not paying. If the borrower has dependents but is not receiving any support, they will be required to execute a notarized Child Support Affidavit.

5.4 Other Income

Any other income that the borrower receives (not mentioned above) must be included in the annual household income, and it must be **documented with a written verification** showing the type of income, amount received and frequency.

5.5 Anticipated Income from Assets

Assets are items of value, other than necessary personal items, must be verified when determining the eligibility of a household shall include, but not be limited to the following:

- Cash held in savings and checking accounts, safe deposit boxes, at home, etc.
- Stocks, bonds, treasury bills, certificates of deposit, money market accounts, or any other investment accounts
- Individual Retirement Accounts (IRAs), Keogh accounts, trust accounts, retirement and pension funds, and other such accounts
- Cash value of life insurance policies
- Personal property held as an investment or equity in real estate owned
- Lump sum receipts or one-time receipts
- Any other assets not listed above

If a third-party verification cannot be obtained after at least three attempts, the most recent six (6) months complete bank statements may be used as a last resort. When bank statements are used as verification, the borrower must submit the entire statement. It is not sufficient to provide only the first page which shows the beginning and ending balance.

If the borrower is receiving any gift funds, these must be documented with a copy of the gift letter and proof of receipt of the gift (i.e. copy of the gift check, deposit slip or bank statement). The gift letter must indicate the donor's name, address, telephone number and relationship to the borrower, specify the amount of the gift and when the funds were or will be transferred to the borrower, and a statement that no repayment is required.

- When assets exceed \$5,000, add the greater of the actual income to be derived from these assets, or the total cash value of the assets multiplied by the imputed amount (currently .06%). **At no time may the liquid Assets exceed the \$30,000 limit.** All non-retirements accounts will be considered.

SECTION 6- BORROWER REQUIREMENTS

6.1 Ownership Requirements:

The borrower is not required to be a first-time home buyer to qualify for assistance, but they cannot own another property at the time of closing. In addition, they cannot have received assistance from the City of Clearwater in the past, unless the prior assistance has been paid in full and a satisfaction of mortgage executed and recorded in public records or unless there is some form of hardship defined. Examples of hardship include divorce, permanent layoff, physical or mental disability, fire, flood or natural disaster or the death of a family member. Hardship determination will be determined and approved on a case-by-case basis by the department director.

6.2 Residency Requirements

Must be a U.S. citizen or a permanent resident alien. For purposes of this program, the state of Florida defines a "qualified" alien as someone who is lawfully admitted for permanent residence under the Immigration and Naturalization Act (possessing a resident alien/green card). If any adult household member is not a U.S. citizen and has not yet received their green card, we cannot provide assistance.

6.3 Borrower Minimum Investment

1(%) percent of the purchase price is required.

6.4 Certification of Household Income

A signed certification form must be obtained from the applicant in order for the eligibility process to be complete. The certification form must indicate the annual household income, family size, and a statement regarding the completeness and accuracy of the information.

SECTION 7 - PROPERTY REQUIREMENTS

7.1 Property Location

The property must be located within the city limits of Clearwater (which are properties that have a tax code of CW, CWD or CWDO on the Pinellas County Property Appraiser website).

**TO VERIFY THE JURISDICTION/TAX CODE OF THE PROPERTY,
CALL THE PROPERTY APPRAISER'S OFFICE AT 727-464-3207 OR
VISIT THEIR WEBSITE AT WWW.PCPAO.ORG**

TAX JURISDICTIONS:

CW CWD or CWDO – City Limits of Clearwater

7.2 Sales Price Limits

Existing Property: \$ 244,000

Newly-Built Property: \$ 263,000

7.3 Eligible Property Types

Single-family residences, condominiums or townhouses.

7.4 Ineligible Property Types

2-4 family, rental properties, co-ops, manufactured and mobile homes, or **properties built prior to 1978 that have peeling and/or chipping paint (seller refuses to perform lead abatement).**

If the property being purchased is occupied by a tenant who will be displaced so the loan can close, the City is unable to provide assistance.

7.5 Inspection Requirements

7.5.1 Existing Housing: The housing must meet all applicable minimum housing code standards, as established by the City, and all State of Florida housing codes. An inspection is required to verify that the housing meets applicable safety and code requirements.

The City will consult with a third-party contractor to conduct required property inspections. The inspection must be completed using HUD's Uniform Physical Condition Standards (UPCS) form. The inspection must be completed no more than 90 days before the commitment of HOME funds. There is no charge to the client for this inspection. If any of the minimum housing code standards are not met, these must be completed, corrected and re-inspected prior to closing.

PLEASE NOTE: THIS CITY CODE INSPECTION DOES NOT REPLACE THE NEED FOR A HOME INSPECTION! Your Client is highly encouraged to hire their own inspector to perform a detailed home inspection. If they do choose to do so, this will be at their own expense.

If the house was built prior to 1978, the City will order a lead paint inspection. If lead paint is found, lead abatement will be required before closing, if not, the property will be ineligible for assistance.

7.5.2 Newly-Built Housing:

- Certificate of Occupancy must be provided in lieu of the Inspection Report.
- property must be owner-occupied (no rental or second homes)
- If the property being purchased is occupied by a tenant who will be displaced so the loan can close, the City will be unable to provide assistance.
- If the property was built prior to 1978 and there is evidence of peeling, chipping or chalking paint, and a positive test for lead paint is determined after inspection, lead abatement will be required. The City requires full lead-based paint abatement before closing or the property will be ineligible for assistance.

SECTION 8 - CREDIT GUIDELINES

The City or its designee will require a copy of the lender's credit report. A standard, factual report from all three repositories is acceptable. (The City or its designee will not pull another credit report if one has already been obtained by the lender. We do not want to affect the borrower's credit score by having too many reports obtained). If the credit is approved and accepted by the first mortgage lender, the City will also accept the credit.

The City will waive payoff of past due amounts and collections if it is waived by the first mortgage lender. The City will only require payoff of those judgments or liens that could be attached to the property and take a superior position to the City's lien.

SECTION 9 - LOAN TERMS AND CONDITIONS

9.1 Eligible Use of Funds

Funds will be used for down payment and closing costs assistance. The buyer may not receive any portion of these funds as cash back.

9.2 Loan Amount

The City will determine the loan amount, or gap financing, by calculating the difference between the home sales price and the base loan amount from the First Mortgage Lender. The first mortgage loan amount must be the maximum amount the applicant is qualified for based on the applicant's debt-to-income ratios and first mortgage loan product. HOME funds can be layered with other Down Payment Assistance Programs; however, the loan to value may not exceed 105%.

9.3 Borrower Minimum Investment

The Borrower must contribute a minimum of 1% of the purchase price toward the transaction. The payoff of existing debt or collection cannot be considered as part of the minimum contribution.

9.4 Minimum Cash Reserves

The borrower must have sufficient cash reserve after closing of at least 2 times the total monthly housing expenses, including principal, interest, taxes, insurance and any association fees.

9.5 HOME Subsidy Calculation

HOME assistance will be provided after all other forms of down payment and closing costs assistance have been provided. This includes programs such as the Florida Bond Program. The shortfall between the lender's required minimum down payment amount and these funds will be the eligible HOME assistance.

The following example illustrates the cost breakdown:

Purchase Price	\$149,000
1st Mortgage	141,550
DPA Required	7,450
Estimated Closing Costs	4,196
Total Estimated DPA	11,646
Minimum Contribution	-1,490
Calculated financing needed	10,156
HOME funds will be rounded up to the next \$500 increment	10,500

SECTION 10 - LOAN REQUIREMENTS

The program and security instruments for the City's Down Payment Assistance (DPA) program are Department of Housing and Urban Development (HUD)-approved. The City's loans are secured by a subordinate mortgage placed on the subject property. The City will generally agree to be in a second position.

To help maximize affordability for the client, the City will allow layering with other assistance programs. The City will only agree to a third mortgage position behind a state or local Government bond program.

10.1 Affordability Period

HUD requires HOME funding to be expended on activities where continued affordability is ensured. The term of the affordability depends on the amount of the assistance.

HOME Loan Amount	Affordability Period
Under \$15,000	5 Years
\$15,000 to \$40,000	10 Years
Over \$40,000	15 Years

10.2 Repayment Terms

Funds will be awarded as a 50% amortized loan and 50% deferred loan, secured by a recorded subordinate mortgage and note. 50% of the loan is deferred for the loan term and forgiven at maturity, if no event of default exists. The 50% amortized loan portion will be deferred for five (5) years, with monthly payments commencing at the end of the deferral period. The loan will be amortized for a period of 20 years (240 months). The maximum monthly payment is \$93.75. These loans will allow for prepayment in full, or in part, at any time, without penalty. Down Payment Assistance (DPA) loans are interest-free.

10.3 Default Terms

Should any of the following occur, either during the affordability period or during the repayment period, the **full amount** (the amortized portion and the forgivable portion) is due and payable:

- Sale or transfer of property
- Property is no longer homesteaded, as determined by the Property Appraiser
- Property has been converted into a rental unit

10.4 - Loan-to-Value

The combined first, second and or mortgage cannot exceed a combined Loan-to-Value (LTV) of 105 percent.

10.5 - Ratios

Ratios will be based on total monthly household income. The Principal, Interest, Taxes and Insurance (PITI)/Housing Ratio must never be less than 20 percent. If the Principal, Interest, Taxes and Insurance (PITI) ratio is below 20 percent, the borrower is not eligible to receive any assistance from the City.

The City of Clearwater only calculates a debt ratio, and it should not exceed 45 percent (based on monthly household income as determined by the City or its designee). With compensating factors, this ratio can be slightly increased, but all exceptions must be approved by the City of Clearwater housing assistant director prior to issuance of an approval letter.

10.6 – First Mortgages

The borrower must obtain a fixed rate mortgage. The City is prohibited from assisting borrowers who are obtaining first mortgages which:

- are adjustable

- are interest-only
- contain prepayment penalties
- contain the potential for negative amortization
- are based on “stated or undocumented income”
- are financed by the owner/seller
- have high fees or above-market rates (i.e. B/C loans)
- do not have escrows being collected for taxes and insurance
- are not arm’s length. It is unacceptable for the same individual to be the realtor, seller and/or landlord. In this case, assistance funds will not be provided.

The City cannot assist borrowers who are being charged more **than 4 percent loan fees**.

PLEASE NOTE: THE ADJUSTED ORIGATION CHARGES SHOWN ON THE CLOSING DISCLOSURE CANNOT EXCEED 4 PERCENT OF THE FIRST MORTGAGE AMOUNT.

Lenders are permitted to charge reasonable and customary charges for out of pocket expenses and third-party costs. Lenders may also charge the usual and reasonable settlement costs, including title insurance, transfer costs, survey fees or other similar costs. Other allowable fees include notary fees, hazard and flood insurance premiums, recording or registration charges, prepaid escrow deposits and other similar charges. “Junk” fees are not a defined term and may not be charged. Excessive fees are not permitted in the program. To ensure the borrower is not paying excessive fees (over and above normal and customary industry closing costs), the City or its designee will review the Closing Disclosure Statement to ensure they are in accordance with normal and customary charges for our area.

The borrower can use other sources of funds in conjunction with the assistance (provided the borrower has made their 1% of the purchase price minimum contribution from their own funds). The borrower’s minimum contribution can include an earnest money deposit, appraisal fees, home inspection fees, and homeowner’s insurance.

If gift funds are being used, the file must be documented with a gift letter and evidence of receipt of the gift.

If the seller will be contributing towards the buyer’s closing costs, the file must be documented with a contract addendum showing what costs the seller will be paying.

If the buyer is using BOND assistance, the City will need a document showing the terms of that loan.

10.6 Non-Occupant Co-Signer Requirements

Non-Occupant Co-Signers can be used in conjunction with Down Payment Assistance (DPA) loans. The income of the co-signer is not included in the annual income. To be acceptable, the following conditions must be met:

- The co-signer CANNOT RESIDE IN THE PROPERTY being purchased

- The co-signer must sign a form certifying that they will not reside in the property and that they will not contribute any income to the household. If they will be contributing any income to help with making the mortgage payments, this must be included in the borrower's annual income.

Per state guidelines, the co-signer CANNOT TAKE TITLE to the property and they CANNOT BE LISITED ON THE WARRANTY DEED.

10.7 – Cash Back to Borrower

Cash back to the borrower at closing is not permitted under any circumstances.

10.8 – Pre-Approval

The borrower can be pre-approved for down payment/closing cost assistance prior to locating a property. A final approval will not be issued until the City or its designee receives the FULLY-EXECUTED sales contract and lender's good faith estimate. In the case of short sales, final approval and reservation of funds cannot be issued until the bank/lender has approved the contract.

Pre-approval letters are valid for 120 days. If no property is found within that time, updated income verifications must be obtained.

10.9 ASSUMPTION OF LOAN

DPA loans are not assumable. The entire assistance is due and payable upon:

- sale/transfer of the property
- property being vacated by the borrower
- property being converted into a rental unit
- refinancing or assumption of the first mortgage.

10.10 – Loan Policy

A loan policy will be required for all Down Payment Assistance (DPA) loans. No endorsements are necessary. The City's second or third mortgage must be listed on Schedule A and Schedule B-1 of the Loan Policy. In all cases, the City's Down Payment Assistance (DPA) loan must be listed on the hazard and/or flood Insurance. The mortgagee clauses to be used for insurance purposes are as follows:

THE CITY OF CLEARWATER MORTGAGEE CLAUSE:

The City of Clearwater, ISAOA ATIMA
Economic Development & Housing Dept.
P.O. Box 4748
Clearwater, Florida 33758-4748

10.11 – Loan Subordination

In general, the City of Clearwater does not subordinate mortgages made using CDBG, HTF, HOME, and SHIP funds. However, under the following circumstances, the City will consider

taking a subordinate position. The City will charge an administrative fee on all subordination requests prior to the documents being reviewed. Only requests that meet the following conditions will be considered:

The original borrower continues to own and occupy the home as its primary residence.

The original borrower is experiencing financial hardship which would be benefited by securing a lower interest rate on his or her first mortgage accompanied by lower monthly payments.

The new monthly payment includes escrows for taxes and insurance, and represents between 30% - 35% of a borrower's gross monthly income.

The new first mortgage interest rate is at least two percentage points below the original first mortgage, and/or as a result of the monthly savings, the borrower should be able to recoup (break-even) the loan closing costs within 3-5 years.

The new loan's origination fee, points, commitment fees, buy down fees and other lender charges do not exceed 4% of the loan amount.

The new first mortgage is a permanently fixed rate mortgage with no balloon payments and no pre-payment penalty. Terms may be made for as few as ten years, and may go up to thirty years as applicable based on the original loan balance and the term remaining on the original note.

The borrower does not receive any cash out for any purpose, including but not limited to, home improvement loans, bill consolidation loans, lines of credit, future advances, personal loans, medical collections, other mortgages or encumbrances or liens.

Staff will review each subordination request to confirm that they fall with the guidelines of the City's Subordination Policy. When making a determination on a subordination request, the lender will be required to supply the following documents for review:

Loan Estimate, Itemization of Fees, Title Commitment, Appraisal, Application (1003 form the Lender) and the projected settlement costs.

SECTION 11 - HOMEBUYER EDUCATION PROVIDERS

All borrowers must attend a Department of Housing and Urban Development (HUD)-certified Homebuyer Education Workshop.

The workshop must be completed at least two weeks prior to closing. A copy of the certificate must be provided to the city or its designee. If the certificate is over 12 months old, the borrower must attend another workshop.

NOTE: The certificate received at the workshop is NOT an approval for down payment assistance. All borrowers must still complete an application and meet the city's guidelines.

The City of Clearwater will accept the certificates provided by Department of Housing and Urban Development (HUD) certified agencies.

SECTION 12 - APPLICATION/SUBMISSION REQUIREMENTS

The borrower(s) and all adult household members residing or intending to reside in the property must complete the most current version of Down Payment Assistance (DPA) Assistance Application.

Applications can be submitted when the borrower has located a property, or they can be submitted for pre-approval so that City or its designee can determine the borrower's eligibility status prior to the selection of a property.

All applications will be reviewed in the order that they are submitted, with initial reviews being done within 3-4 business days. Based on the information contained on the application, the City or its designee will make an initial determination as to the borrower's eligibility to receive assistance.

12.1 Documentation Checklist

To complete the file in accordance with the local and the state's guidelines, the borrower and lender will be asked for the following information and types of supporting documents:

1.) Verification of Household Size for all household members 18 or over

- Driver's License or government issued photo identification
- Social Security card or receipt from the Social Security Administration showing the borrower has applied for a duplicate card.

2.) Dependents/Other Household Members (Under the age of 18)

- Birth certificates on which the parent/applicant's name is listed
- Letter(s) of adoption or court-ordered letter(s) of guardianship (if applicable).
- Joint custody of children (if applicable). In these cases, provide evidence that child's permanent address is with the applicant (i.e. divorce decree, marital settlement agreement, custody agreement) and school records, which provide the applicant's name and address as the primary residence of the dependent.

3.) Separated Applicant(s)

When the applicant is married and the spouse does not intend to reside in the home, documentation of permanent alternate residence must be provided.

4.) Application Information

All adult household members who are 18 and over must complete the Down Payment Assistance (DPA) Assistance Application and sign an Authorization to Release Information Form.

5.) Copy of lender's 1003 (handwritten or typed copy acceptable)

6.) Good Faith Estimate (to show loan type, rate, monthly payment).

NOTE: The lender can initially provide a copy of their closing cost worksheet, but prior to final approval, the City or its designee must receive a copy of the final Good Faith Estimate.

7.) Tri-merged credit report - all pages - dated within 120 days.

8.) Tax Return/1040 for the most recent year - all pages and schedules - signed by the borrower(s). If the borrower does not have a copy, a printout from the IRS is acceptable. (To obtain this form or printout, contact the IRS at 800-829-1040).

9.) Home Buyer Education Certificate (from a Department of Housing and Urban Development (HUD)-certified Agency).

10.) Sales Contract (all pages and addendums) - signed by buyer and seller

11.) Verify Occupancy Status of Property:

Borrower will need to verify if the property is vacant, seller occupied, tenant occupied or if the Borrower currently resides in the property. If the property is currently vacant, verify if the last occupant was the seller or a tenant.

12.) Existing Properties:

A Uniform Physical Condition Standard Inspection (UPCS) report, from a City approved inspector, will be performed to show that property “passes” and all deficiencies are repaired. This inspection is ordered by and paid for by the City.

13.) For newly-built properties, require a Certificate of Occupancy is acceptable in lieu of the inspection report. The Certificate of Occupancy must be date within a year of closing to be considered.

12.2 Income Information

Required for all adults residing in the property who are 18 years of age or older, regardless of whether or not they are a part of the mortgage.

1.) Employed Borrowers or Co-Borrowers

The following documents will be required:

- Written Verification of Employment (VOE) - dated within 120 days
- The most current paystub - so an initial income determination can be made
- If one borrower is unemployed, they must execute a Declaration of No Income.

2.) Adult Dependents (18 years or older)

Adult dependents 18 years or older will be required to provide the following documentation:

IF EMPLOYED

- Most current paystub - so an initial income determination can be made
- Written Verification of Employment (VOE) - dated within 120 days
- If the dependent adult is a full-time student, provide a copy of the school transcript or a letter from the school showing they are full time. (In this case, only count the first \$480 of their earnings for Department of Housing and Urban Development (HUD) and state guidelines)

IF UNEMPLOYED

- Declaration of No Income to be signed and witnessed

IF A FULL-TIME STUDENT

- Student statement of school enrollment
- Proof of full-time status (i.e. copy of transcript or letter from school)

3.) Self-Employed Borrowers

Self-employed borrowers will be required to provide the following documents:

- Individual and/or Corporate (if applicable) Tax Returns for the most recent two years. Please include all pages and schedules. The City or its designee can also accept IRS printout showing tax return information.
- Year-to-date Financial/Profit & Loss Statement (for the most recent quarterly period). A statement prepared by a bookkeeper or accountant is preferred. If the borrower does not use an accountant, then the borrower must prepare the income statement and must also write a letter certifying that the Profit & Loss Statement was self-prepared and no accounting/bookkeeping services were used by their business.
- Notarized statement from borrower on the net amount they anticipate earning
- in the next 12 months. (This amount should be consistent with the earnings reported on the last two years' tax returns. If the anticipated income is substantially higher or lower, a written explanation letter must be given for the difference).

4.) Borrowers receiving Disability, Social Security or Pension Income

Borrowers will be required to provide a Social Security or pension awards letter (from the most current year). If the letter is more than a year old, a current letter is required.

5.) Borrowers receiving Child Support or Alimony Income

Borrowers receiving these sorts of income will be required to provide:

- Child support agreement or divorce decree – including Marital Settlement Agreement (all pages)
- Evidence of receipt/non-receipt of income (i.e. court printout dated within 120 days)

NOTE: If the child support is court-ordered, but the applicant does not receive it regularly, it must still be included in household income, unless the applicant can show that they have begun proceedings with the state against the spouse who is not paying). If the borrower has dependents but is not receiving any support, they must execute a child support affidavit.

12.3 – Asset Information

In order to verify assets, borrowers must provide:

- Written Verification of Deposit (VOD) - dated within 120 days
- Most current bank statement on all accounts (including savings, checking, IRA, pension, 401K, stocks, etc.). PLEASE PROVIDE COPIES OF ALL PAGES OF THE STATEMENT. If the borrower has an account and City or its designee is unable to obtain a Verification of Deposit (VOD), six months of account statements will be required.
- Asset Addendum Form

- If the borrower is receiving gift funds, a gift letter must be provided, along with evidence of receipt of the gift (i.e. copy of the gift check, deposit slip, etc). The gift cannot come from the seller or realtors.

ANTICIPATED INCOME FROM ASSETS

Assets are items of value, other than necessary personal items, and must be considered with the verified income in order to determine the eligibility of a household. All asset income is considered, including asset income of minors. The Income that could potentially be earned, or is actually earned from assets is annualized based on what is anticipated to be received during the 12 months following eligibility determination.

HOUSEHOLDS WITH LIQUID ASSETS GREATER THAN \$30,000.00 DO NOT QUALIFY.

DETERMING INCOME FROM ASSETS

HUD Handbook has established the following policy:

If the asset value is \$5,000 or less, total the amount of actual asset income and include this with the total verified anticipated annual income for the household.

When assets exceed \$5,000, add the greater of the actual income to be derived from the assets or the total cash value of the assets multiplied by the imputed amount (currently .06%). At no time may the liquid Assets exceed the \$30,000 limits. All non-retirement accounts will be considered.

A signed certification form must be obtained from the applicant in order for eligibility process to be complete. The City or its designee must calculate and certify income when all verifications are received. The certification form must indicate the annual household income, family size, and a statement regarding the completeness and accuracy of the information. The income certificate form must be properly prepared executed by City or its designee and signed by the applicant and all other household member(s) over the age of 18.

12.4 – Non-Occupant Co-Borrower Information

Non-occupant co-borrowers must provide the following information:

- Copy of lender's 1003 (handwritten or typed copy is acceptable)
- Credit report - all pages (In-File or Standard Factual is acceptable)
- Applicable income information (as noted above)
- Co-Signer affidavit to be signed (City or its designee to send appropriate form). This form certifies that the Co-Signer will not reside in the household and they will not contribute any income to the household.

NOTE: Per State Guidelines, Co-Signers cannot take Title to the property or be listed on the Warranty Deed.

12.5 – Closing Documentation

The following information will be required prior to closing:

Title Company Information: _____

Name: _____

Phone Number: _____

Fax Number: _____

Contact: _____

Estimated Closing Date: _____

- Title Information Sheet
- Copy of Lender's Approval/Commitment Letter
- Pages 1-6 of Appraisal (photos not necessary)
- Flood Certification Form
- If any deficiencies were noted on the Department of Housing and Urban Development (HUD) Inspection Report, a final inspection must be obtained showing that all repairs are complete.
- If a newly-constructed property, final Certificate of Occupancy
- Copy of homeowners and flood insurance (with appropriate mortgagee clause)
- Copy of title insurance commitment (with appropriate mortgagee clause)

Fair Housing Act

In accordance with the Federal Fair Housing Act, or Title VIII of the Civil Rights Act of 1968, as amended in 1988. The City of Clearwater will not discriminate on the basis of race, color, religion, sex, disability, familiar status, age or national origin.

City of Clearwater Identification Number (EIN)

The City of Clearwater's Employer Identification Number (EIN) is 59-6000289.