



HOME Homebuyer Program Policies & Procedures Office Hours Webinar

June 27, 2019



Welcome & Introductions

- Sponsored by HUD's Office of Affordable Housing Programs
- Presenters
 - Stephen Lathom, Sr. Consultant, TDA Consulting
 - Monte Franke, Franke Consulting Group
- Resources:
 - Today's slides
 - Notice CPD-18-09
 - HOME Homebuyer Policies Checklist

If Using Dial-In

- If you can't hear us...
- Conference line number **updated** since original calendar invite
- Instead use:

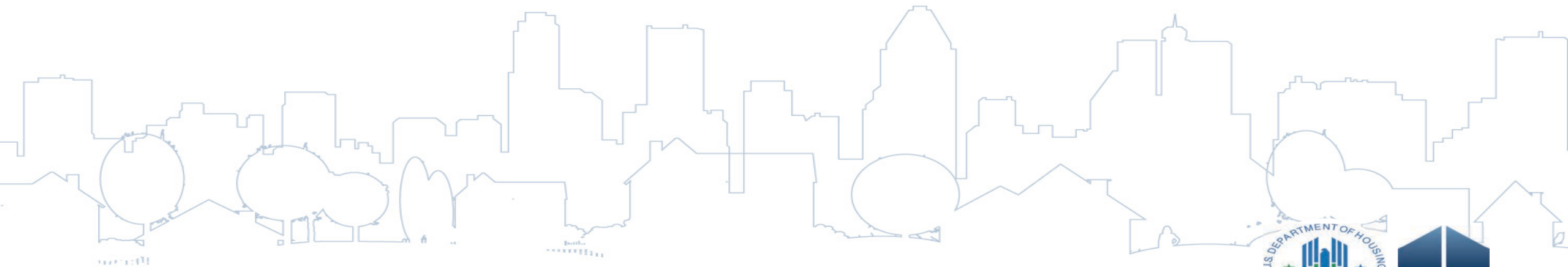
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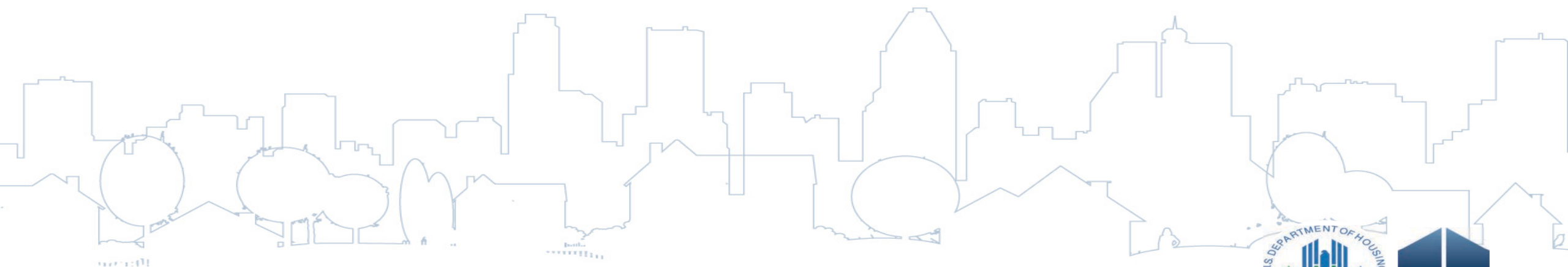
Goals

- Review key points from Tuesday's webinar
- Address unanswered questions
- Additional Q&A



Related But Uncovered Topics

- Series of questions around related topics
 - Income determination, resale/recapture, etc.
- Too expansive/technical to address in this webinar
 - Shared feedback/demand for these topics with HUD



Income Determination

- Determining Income for the HOME Program Webinar
 - Held June 19, 2018, available on the HUD Exchange
 - <https://www.hudexchange.info/trainings/courses/determining-income-for-the-home-program-session-1/2532/>

The screenshot shows the HUD Exchange website interface. At the top, the navigation bar includes the HUD Exchange logo with the text 'HUD EXCHANGE Secretary Ben Carson', and menu items for 'My HUD Exchange', 'Programs', 'Resources', 'Trainings', and 'Program'. A red arrow labeled '#1' points to the 'Trainings' menu item. Below the navigation bar, the breadcrumb 'Home > Trainings' is visible. The main heading is 'Trainings' with the subtext 'Find and register for upcoming and online training, and view materials from previously held trainings.' A search bar contains the text 'Determining Income for the HOME Program'. A red arrow labeled '#2' points to the search bar, and another red arrow labeled '#3' points to the search icon. The page number 'Page 0' is at the bottom center.



Resale/Recapture

- CPD Notice 12-003
 - <https://www.hudexchange.info/resource/2690/notice-cpd-12-003-guidance-resale-recapture-home/>
 - <https://files.hudexchange.info/resources/documents/HOMEResaleAndRecaptureSummary.pdf>
- HUD planning to update this notice
 - Rollout will include webinar

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Secretary Ben Carson

My HUD Exchange Programs Resources Trainings Program Support Grantees News

Home > Resources

Resource Library

Explore featured publications and browse regulations, policy guidance, toolkits, FAQs, and other resources.

Featured Resources

- Veterans Housing Rehab and Mod Pilot Program
- New Coordinated Entry Data Elements
- IDIS Online Reports User Guide

FAQ Collections

Find answers to frequently asked questions grouped by programs, systems, and related topics.

Find FAQs

Browse the Resource Library

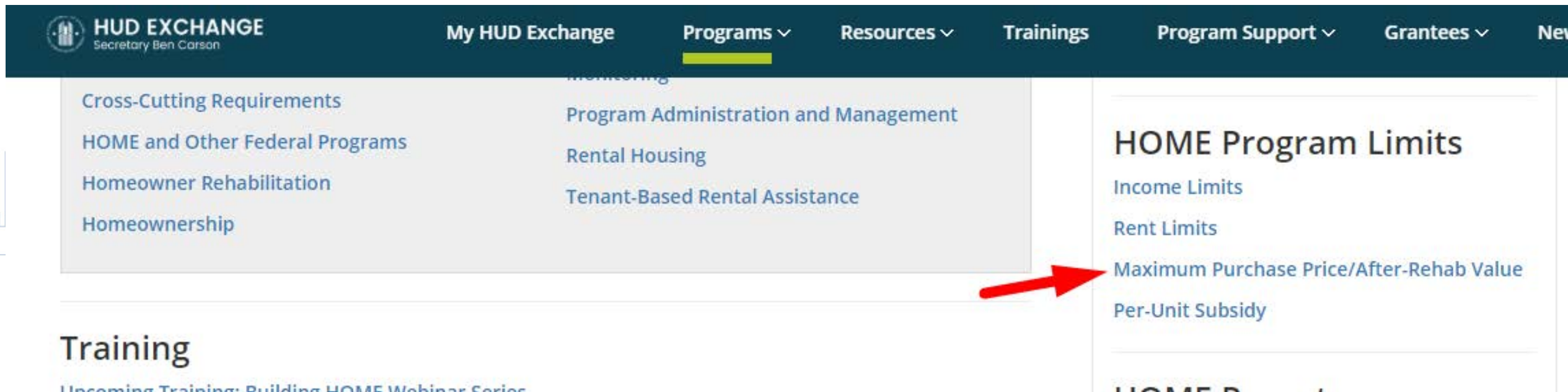
CPD 12-003

Order By: Date Relevancy

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
COMMUNITY PLANNING DEVELOPMENT

HOME Homeownership Value Limits

- May not assist purchase of a home above the limit
 - Even if other funds cover “excess”
- <https://www.hudexchange.info/programs/home/>



The screenshot shows the HUD Exchange website navigation menu. The 'Programs' dropdown menu is open, showing a list of program categories. A red arrow points to the 'Maximum Purchase Price/After-Rehab Value' link in the 'HOME Program Limits' sub-menu.

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My HUD Exchange **Programs** ▾ Resources ▾ Trainings Program Support ▾ Grantees ▾ New

Cross-Cutting Requirements
HOME and Other Federal Programs
Homeowner Rehabilitation
Homeownership

Program Administration and Management
Rental Housing
Tenant-Based Rental Assistance

HOME Program Limits
Income Limits
Rent Limits
Maximum Purchase Price/After-Rehab Value
Per-Unit Subsidy

Training
Upcoming Trainings: Building HOME Webinar Series

HOME Homeownership Value Limits

- Separate limits for existing vs. newly constructed homes
- Most PJs only need “1-unit” columns
 - Note: yellow highlights added, not in original download

HOME and Housing Trust Fund Homeownership Sales Price Limits - FY 2019												
(Data through June 2018; New limits effective April 15, 2019)												
Existing Homes HOME/HTF Purchase Price Limit												
State	County Name	Metropolitan/FMR Area Name	1-Unit	2-unit	3-unit	4-unit	Unadjusted Median Value	Years Worth of Sales Data*	Number of Sales for Unadjusted Median**	Geographic Area Used	1-Unit	2-unit
AL	Calhoun County	Anniston-Oxford-Jacksonville, AL MSA	\$138,000	\$176,000	\$214,000	\$264,000	\$145,000	1	3,460	Non-Metro State	\$227,000	
AL	Lee County	Auburn-Opelika, AL MSA	\$176,000	\$225,000	\$272,000	\$337,000	\$185,000	1	908	County	\$227,000	
AL	Bibb County	Birmingham-Hoover, AL HUD Metro FMR Area	\$175,000	\$224,000	\$271,000	\$336,000	\$184,000	1	6,706	Metro	\$227,000	
AL	Blount County	Birmingham-Hoover, AL HUD Metro FMR Area	\$175,000	\$224,000	\$271,000	\$336,000	\$184,000	1	6,706	Metro	\$227,000	
AL	Jefferson County	Birmingham-Hoover, AL HUD Metro FMR Area	\$178,000	\$227,000	\$275,000	\$341,000	\$187,000	1	4,221	County	\$227,000	
AL	St. Clair County	Birmingham-Hoover, AL HUD Metro FMR Area	\$175,000	\$224,000	\$271,000	\$336,000	\$184,000	1	6,706	Metro	\$227,000	
AL	Shelby County	Birmingham-Hoover, AL HUD Metro FMR Area	\$176,000	\$226,000	\$273,000	\$338,000	\$185,500	1	1,528	County	\$227,000	
AL	Chilton County	Chilton County, AL HUD Metro FMR Area	\$138,000	\$176,000	\$214,000	\$264,000	\$145,000	1	3,460	Non-Metro State	\$227,000	

Property Standards

- Substantial revisions to 92.251 in 2013 HOME Final Rule
 - Guidance still pending

92.251(c) *Acquisition of standard housing ...* (3) Existing housing that is acquired for homeownership (e.g., downpayment assistance) must be decent, safe, sanitary, and in good repair. **The participating jurisdiction must establish standards** to determine that the housing is decent, safe, sanitary, and in good repair. At minimum, the standards must provide that the housing meets all applicable State and local housing quality standards and code requirements **and** the housing does not contain the specific deficiencies proscribed by HUD based on the applicable inspectable items and inspected areas in HUD-prescribed physical inspection procedures (Uniform Physical Condition Standards) issued pursuant to 24 CFR 5.705. The **participating jurisdiction must inspect** the housing and document this compliance based upon an inspection that is conducted no earlier than 90 days before the commitment of HOME assistance...

FHA Mortgage Letter 19-06

- Issued April 18, 2019
 - Updates standards for FHA lenders to document source of buyer assistance from governmental agencies
 - Bank likely to seek letter verifying assistance is being provided by PJ “in its governmental capacity”
- Mortgage Letter 19-07 extended implementation until July 23, 2019
- Regional FHA Homeownership Centers can help answer questions
 - (800)-CALL FHA or (800)-225-5342
 - <https://entp.hud.gov/clas/info2.cfm>

Key Topic Areas for Today

- Requirement for homebuyer program policies
- Underwriting issues
 - Advice on approach
 - Example metrics
 - When lender standards vary
- Responsible lending
- Counseling requirement and approaches
- Review resources and next steps

Requirement for PJ Policies

- Questions included:
 - Publication expectations
 - HUD approval?
 - Role for subrecipients v. developers
 - Varying policies by activity type/program or project
 - “DPA” vs. development, higher cost areas, etc.

Setting Reasonable Assistance Levels

- Two key issues
 - Profile of target buyers, both “typical” and lower end of range
 - What can typical and “minimum” buyers afford
 - Pricing of “typical” starter home
 - Meeting property standards and adequate supply available
- Assistance should be adequate to bridge the gap



HOME Assistance

Market
Pricing

Purchasing
Power

Underwriting Metrics

- What do we see others doing
 - Front-end ratio: Max 28%-33%
 - Many set minimum expectation, buyer must be qualified to spend 20%-25% toward mortgage
 - Back-end ratio: Max 38%-43%
 - Minimum expectation doesn't generally make sense, not trying to force buyers to have other debt

Assets

- Which assets should be considered for underwriting?
- Part 5 definition of assets is unchanged
 - Income determination still looks at non-cash assets (e.g. collectibles, other real estate) and tax-preferred accounts (e.g. 401(k), IRA, health savings accounts, 529 college savings)
- Most PJs exclude tax-preferred accounts only consider “liquid assets” for underwriting purposes
 - Only assets that are readily converted to cash
 - Don’t make a LI buyer drain their retirement to buy their house

Assets

- Common standards, buyer must
 - Invest at least 1% of purchase price
 - Invest any liquid assets over \$20,000 toward purchase
 - Have remaining liquid assets equal to 3x monthly mortgage payment
- Examples
 - Purchase price: \$125,000
 - Monthly PITI payment: \$1,000
- Buyer A
 - Liquid assets of \$5,000
 - Less min. investment of 1,250
 - Remaining assets of \$3,750
 - Must be at least \$3,000
 - OK to proceed
- Buyer B
 - Liquid assets of \$25,000
 - Must invest at least \$5,000
 - Remaining assets of \$20,000
 - OK to proceed
- Buyer C
 - Liquid assets of \$2,000
 - Must invest at least \$5,000
 - Remaining assets of \$750
 - **Not qualified at this time**

Implications

- Not everyone who is *income eligible* is going to *qualify*
 - May require more assistance than PJ allows
 - May not have sufficient assets
 - May not qualify for “responsible” mortgage
- Not everyone who a lender qualifies will qualify under PJ standards
 - HOME is subsidizing the purchase transaction
 - Policy sets limits on nature of transaction we’ll support
 - Lender may be willing to “overleverage” a low-income buyer, e.g. only look at back-end ratio even though housing ratio is “excessive” under PJ standard
 - Lender may only offer buyer a subprime loan
 - Important to acknowledge and communicate up front, temper expectations

Responsible Lending

- Qualified Mortgage
 - Resource: <https://www.consumerfinance.gov/ask-cfpb/what-is-a-qualified-mortgage-en-1789/>
 - Or Google “CFPB Qualified Mortgage”
- QM standard alone may still allow
 - Balloon loans, “high” interest rates
- Some lenders exempted from standard, technically “cannot” issue a QM
 - Notably state HFAs, USDA direct loan (USDA is actual lender), Habitat for Humanity, etc.
 - Logic was these lenders are acting responsibly to begin with (less in need of oversight)
- So important for PJs to set limits and not “only” rely on QM standard
 - Limits on interest rates
 - Limits on lender fees (e.g. <3% of loan amount)
 - Consider limits on balloons

Interest Rate Standards

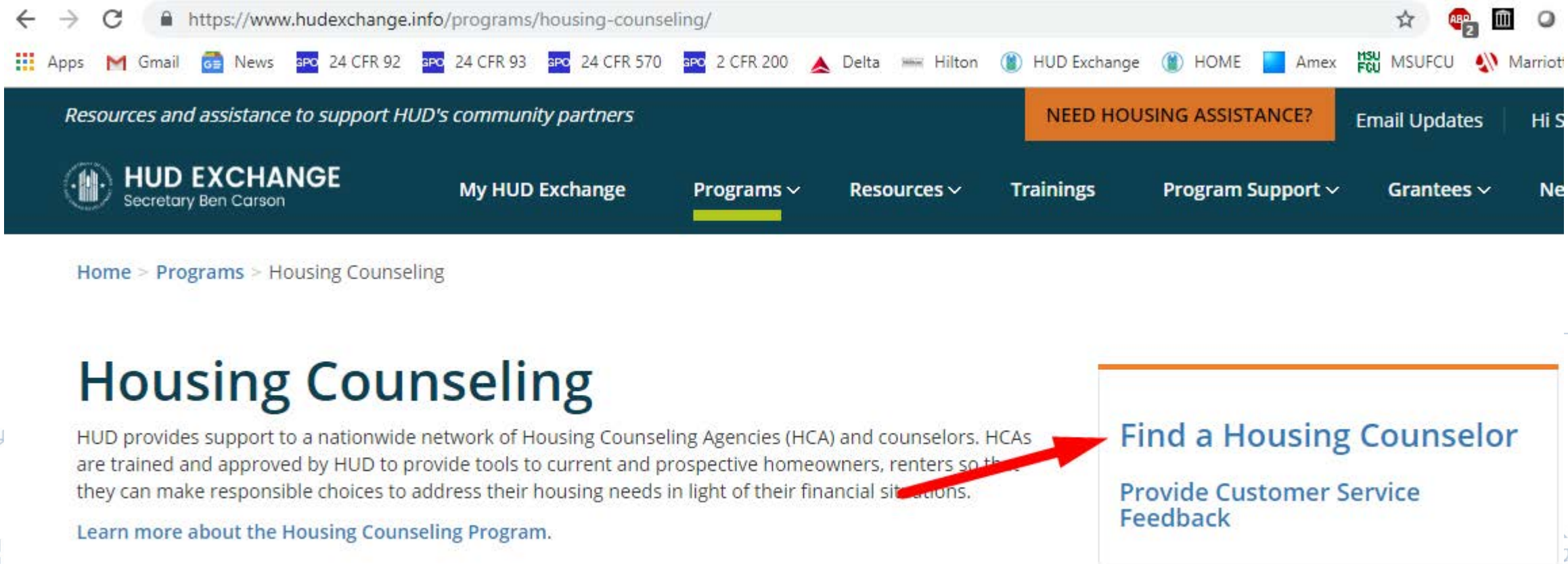
- Common approaches include:
 - Not “higher priced” loan, i.e. more than 1.5% over FFIEC/CFPB index
 - <https://ffiec.cfpb.gov/tools/rate-spread>
 - Within 1-1.5% of Freddie Mac Weekly Average
 - <http://www.freddiemac.com/pmms/>
 - Within X% of state housing finance agency product
 - Usually HFA loans are below market, so spread may be a bit higher

Counseling

- Questions and concerns about method of counseling once HUD Counseling Rule takes final effect
 - As of Aug. 2020, all counseling by HUD-certified counselor working for HUD-approved agency
- Counseling program/standards do NOT require all counseling be in-person in a given location
 - Burden for rural areas
 - Remote approaches are allowed, including via phone, Skype, web-based platforms

Identify Counselors

- <https://www.hudexchange.info/programs/housing-counseling/>



Resources and assistance to support HUD's community partners

NEED HOUSING ASSISTANCE? Email Updates Hi S

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Home > Programs > Housing Counseling

Housing Counseling

HUD provides support to a nationwide network of Housing Counseling Agencies (HCA) and counselors. HCAs are trained and approved by HUD to provide tools to current and prospective homeowners, renters so that they can make responsible choices to address their housing needs in light of their financial situations.

[Learn more about the Housing Counseling Program.](#)

[Find a Housing Counselor](#)

[Provide Customer Service Feedback](#)

Planning for Counseling

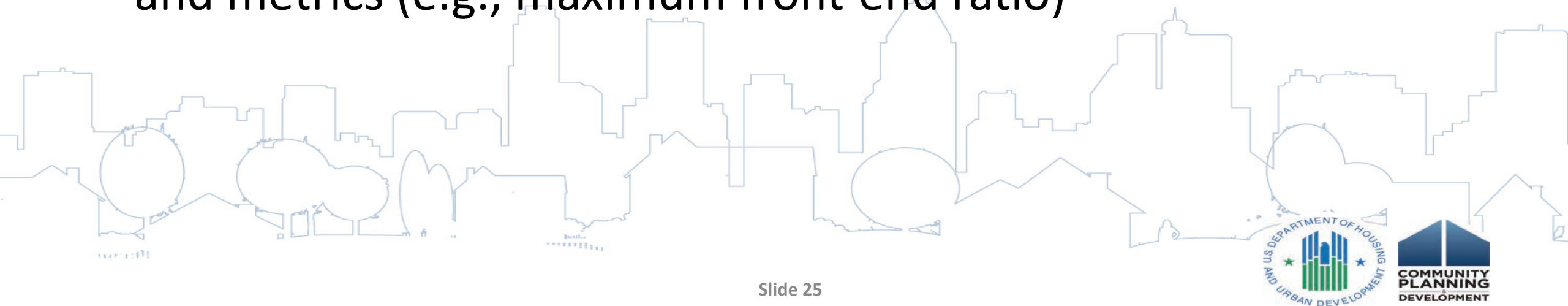
- If not already existing, start establishing relationships with HUD-approved counseling agencies now
 - Discuss timing of rule, are their staff already certified (test has been available for 2 years)? If not, will they be in time?
 - Discuss PJ needs and concerns, e.g. what remote approaches do they offer, process for referrals, etc.

Additional Resources Planned

- Both of this week's webinars will be posted to HUD Exchange
- Developing a sample PJ policy & underwriting tool for posting in the HUD Exchange
- In-person homebuyer program training in 2019 – 3rd/4th *qtr pilot*
 - 2-day hands-on session
 - Introduce buyer underwriting, participants use/apply tools and samples
 - Relationship to program design, including resale/recapture
 - Leave with marked-up policy, underwriting tool, sample written agreement

Review Your HOME Homebuyer Policies

- Conduct a review of your homebuyer policies for compliance
 - Download the checklist – in today’s webinar materials (and will be posted to HUD Exchange too)
- Remember, HUD regulatory requirement provides a framework, but the PJ determines the specific requirements and metrics (e.g., maximum front-end ratio)



Take the Initiative

- We all recognize the limits of webinars
- Consider local/regional coordination, e.g.
 - Trade associations, e.g. NCDA regional meetings
 - Plan sessions at state housing conferences
 - Talk to Field Office about including in grantee meetings/calls

Wrap Up

- Reminders
 - Sign up for HUD Exchange HOME email list
 - Watch for future training, guidance, tools, etc.
 - Brief evaluations following webinar
- Thank you for you time and attention
 - And your work in your community