



CITY OF SAN ANTONIO
**NEIGHBORHOOD & HOUSING
SERVICES DEPARTMENT**

**PROCEDURAL GUIDE
HOMEOWNERSHIP INCENTIVE
PROGRAM (HIP)**

March, 2018

Contact: 210-207-6459

1400 S. Flores, San Antonio, Texas 78204

Website: www.sanantonio.gov/NHSD/programs/downpayment

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Introduction

HOME Investment Partnerships Program (HOME) funds are allocated by HUD to eligible State and Local governments for the expansion of the supply of decent, safe, sanitary and affordable housing (24CFR Part 92).

The City of San Antonio's (COSA) and Neighborhood Housing Services Department (NHSD) administers a down payment and closing cost assistance program out of HOME funds. The Homeownership Incentive Program (HIP) consists of federal funds made available to eligible first-time homebuyers. The HIP program provides homeownership opportunities for low to moderate-income families.

Families with income below 80% AMI may qualify for an FHA 203B, FHA, VA or a Conventional loan to finance the purchase of an existing or newly constructed home. However, some of these families are unable to save the money needed for the down payment and closing costs that are required from the lender. Assistance will be provided in the form of a perpetual loan combined with a forgivable loan.

Policy clarifications or general questions should be addressed to the City's Neighborhood and Housing Services Department (NHSD). Please call 210-207-6459.

Who is eligible for assistance?

To be eligible for participation in the HIP, clients must meet all of the following criteria:

1. The household's gross annual income cannot exceed eighty percent (80%) of the Area Median Family Income (AMFI).. Household income consists of all money received or earned by any person 18 years of age or older who currently resides, or who will reside in the structure to be purchased. This includes all income earned, i.e., part-time employment, overtime, child support, bonuses, SSI, etc. COSA will re-verify the household's gross income if more than 6 months has lapsed from when borrower was initially qualified. COSA reserves the right to re-verify the household's gross income at any time.
2. During income determination, household assets over \$5,000 will be calculated as annual income at a rate of .06% (passbook rate). For example, 401k, or a retirement plan.
3. The borrower must be a first time homebuyer as defined below:
 - a) Have not had an ownership interest in any residential property for at least three (3) years prior to applying for HIP down payment assistance or;
 - b) Displaced person or family that involuntarily and permanently moves from real property as a direct result of acquisition, rehabilitation, or demolition.
4. HUD regulations prohibit providing assistance to persons not lawfully present in the United States.
5. All contributing members of a household receiving HIP funds must be either a:
 - a) U.S. Citizen or,
 - b) Permanent Resident Alien or,
 - c) Temporary Resident Alien with permission to work in the United States. Documentation of status will be required.
6. The borrower must occupy the home and declare it as their homestead for tax purposes during the term of program assistance.
7. The borrower must qualify for an FHA, VA or a Conventional mortgage loan from a legitimate mortgage lender.
8. Owner financed loan does not qualify for HIP funds.
9. Purchaser must attend HUD approved, 8 hour, homebuyers' training session and submit a certificate of completion form prior to closing.
10. Purchaser should deposit a minimum of \$500 in earnest money prior to closing the loan at the title company. Funds must be receipted by the title company.

What type of house qualifies

1. The house to be purchased must be located within the City of San Antonio. You can conduct a search by address in BCAD.ORG to verify that "City of San Antonio" is a taxing jurisdiction.
2. The maximum sales price of an existing home shall not exceed \$170,000. The maximum sales price of a newly constructed home shall not exceed \$228,000 "Affordable Home Price", established by San Antonio City council.
3. The home can be an existing or a newly constructed property.
 - a) A. A newly constructed unit must meet City's universal design ordinance.
4. Unit to be purchased as the borrower's principal residence can be single-family unit or a condominium property.
 - a) A condominium is a unit in an apartment house, or other multiple-unit complex, the units of which are individually owned, each owner receiving a recordable deed to the individual unit purchased, including the right to sell, mortgage, etc., that unit and sharing in joint ownership of any common grounds, passageways, etc.
5. Condition of unit must be safe, decent and sanitary. Must meet all City Building Codes and federal standards including Environmental, Lead Based Paint, and House Review to be completed by COSA staff. House Review is not a substitute for the TREC final inspection report.
6. Unit must contain adequate living space. HIP funds are governed by certain Federal Regulations to ensure that funds are not used to contribute to overcrowded housing conditions. Refer to Pg. 10 for Occupancy Standards.
7. For units built prior to 1978, a visual assessment on all painted surfaces shall be performed for detection of lead based paint in accordance with 24CFR part 35.1015. At COSA discretion, a lead "clearance" report may be required even though there may not be children in the household.
8. If the property to be purchased is located in flood plain area, the homeowner must maintain flood insurance for the term of the loan.

Terms of assistance

1. HIP ASSISTANCE:

- Assistance is secured by a second lien loan on the total HIP amount.
- Assistance is not to exceed \$12,000, the minimum available loan is \$1,000.
- The HIP loan will be in the form of *aforgivable and a perpetual loan*:
 - 25% of the assistance will be a 0% perpetual loan, due at the sale of the home, a change in ownership, or refinancing.
 - 75% of assistance will be forgiven over a 10 years period with 1/10th being forgiven each year.
- 100% of assistance is forgivable over 10 years for School teachers, Police Officers, Emergency medical technicians, and Firefighters.
- First lien interest rate may not exceed 2% of current marketrate.

2. CHANGE IN LENDER AND/OR PROPERTY:

- If purchaser changes the lender after a HIP commitment is issued, a “Letter of Transfer”, a revised Loan Estimate (LE), Itemized Fees Worksheet, and a Transmittal Summary are required by COSA.
- Should the purchaser change properties after HIP commitment, a new request must be submitted by the lender to COSA along with all items outlined on HIP Lender Checklist.

3. EXCESS OF CLOSING FUNDS:

- Funds returned to COSA after closing due to an overage of HIP assistance are applied to perpetual loan amount first then to the forgivable loan as a principal reduction.

4. PERPETUAL LIEN:

- 0% Interest Rate and no payment are required.
- The loan must be repaid at sale, change of ownership, demise of owners or cash out refinance.
- Buyer can initiate payback by making arrangements with COSA.
- Only payoff will terminate the term of assistance.

Underwriting Guidelines

Homeownership Incentive Program (HIP)

1. Qualifying debt to income ratios are 30% housing ratio on the front end and 41% total debt ratio on the back end. With compensating factors, the City will allow 33% housing ratio on the front end and 42% total debt ratio on the back end.
2. Fixed interest rate cannot exceed 2% of the current market rate.
3. Up to 1.0% origination fee is covered by HIP funds.
4. Minimum \$500 earnest money deposit shall be made by the buyer toward the purchase of the home.
5. Maximum HIP loan is up to \$12,000 and is subject to the 1st lien holder's approval of Complete Loan to Value (CLTV).
6. Minimum \$1,000 HIP loan.
7. Minimum 25% of the loan will be a perpetual loan.
8. 75% of loan will be forgivable over 10 years. Pro-rated balance to be paid if sold prior to forgivable period.
9. 100% of assistance is forgivable over 10 years for School teachers, Police Officers, Emergency medical technicians, and Firefighters.
10. Maximum sales Price for an existing home cannot exceed \$170,000.00. Maximum sales Price for a newly constructed home cannot exceed \$228,000.00
11. Household assets over \$5,000 will be calculated as annual income at a rate of .06% (passbook rate). For example, 401k, or a retirement plan.
12. No bankruptcy within the following timeframe:
 - Chapter 7: Must be five (5) years from discharge.
 - Chapter 13: Must be two (2) years from discharge.

NHSD processing and the HIP commitment

IT IS RECOMMENDED THAT THE LENDER VERIFY THAT THE FILE IS COMPLETE AND CREDIT APPROVED, PRIOR TO SUBMISSION TO COSA. Submit files by mail, courier and emails will be accepted. All documents must be legible.

Coordinate with your real estate agent to send these as soon as they are available. HIP will use these documents to open a new file and conduct the HIP Property Review even though your lender file may not yet be complete.

- 1. Copy of purchase contract received by the Title Company; including all addenda.**
- 2. Copy of the TREC Property Report for the subject property**

TREC Property Inspection Report will be reviewed by COSA personnel to process COSA HIP Property Review Form. Realtor, lender and buyer will be advised of any required repairs. If the property does not pass the compliance inspection, COSA must be notified to proceed with the loan process when all discrepancies are corrected.

Upon receipt of a “credit approved” packet, COSA begins processing the request for assistance. The following describes the processing components:

1. Packet is reviewed to ensure completeness, accuracy and eligibility. There is a 5-7 days turn around.
2. In accordance with HUD occupancy standards, a review of the proposed property will determine if the structure has sufficient living/sleeping space to accommodate the family size.
3. By reviewing lender’s Closing Cost worksheet and Transmittal, COSA loan officer computes the amount of HIP assistance and pay back amount.
4. After lender’s approval of HIP assistance, COSA will order legal documents from the City Attorney’s Office.
5. A Site Specific Environmental Review Record (ERR) is conducted by COSA per HUD 24CFR 58.6. Certain ERR results may have a negative impact on COSA’s ability to provide assistance (i.e. air, noise, or flood thresholds.)
6. Once the items listed above are complete, the COSA loan officer will submit a copy of the executed commitment to the lender.
7. The COSA loan officer will deliver legal documents to the title company. Coordination with COSA loan officer is essential to meet closing schedules and avoid delays.

The earnest money contract

1. COSA requires a copy that is legible.
2. The contract must show a fixed interest rate.
3. The contract must be properly receipted by a Title Company with a minimum of \$500 earnest money
4. Any changes to the contract must be dated and initialed by both parties.
5. Submit a copy of any contract extensions to COSA as soon as possible.
6. The location of the title company and closer's name must be legible on the contract.

HUD INCOME GUIDELINES

Income eligibility is based on Median Family Income for the San Antonio, Texas MSA. Income limits are updated automatically in compliance with the most recent transmittals received from HUD.

Occupancy standards

The funds provided through the Homeownership Incentive Program are governed by certain Federal Regulations to ensure that funds are not used to contribute to overcrowded housing conditions. The following standards will be applied in considering eligibility for federally supported housing assistance programs.

<u>Number of Family Members *</u>		<u>Number of Required Bedrooms</u>
Minimum	Maximum	
1	2	1-2 Bedrooms
2	4	2-3 Bedrooms
4	6	3-4 Bedrooms
6	8	4-5 Bedrooms
8	10	5-6 Bedrooms
10 +		6 + Bedrooms

Policy Clarifications:

When necessary, one (1) adult person may be permitted to use the living room for sleeping purposes.

Lenders checklist for HIP packet

IT IS RECOMMENDED THAT THE LENDER VERIFY THAT THE FILE IS COMPLETE AND CREDIT APPROVED, PRIOR TO SUBMISSION TO COSA. Submit files by mail, courier and emails will be accepted. All documents must be legible. Complete files close first.

- Lender's Cover Letter** including name, address, phone & email of loan officer. Indicate buyer's name, property address, number of bedrooms and the amount of HIP funds requested. *Provide detailed information, i.e., how many in household, , relationship, gender, NPS employed, etc., information pertinent to HIP loan that is not on your standard forms.*
 - Copy of purchase contract received by the Title Company; including all addenda** - (Extension of contract).
 - Itemized Fees Worksheet AND**
 - Loan Estimate**
 - Signed Loan Application**; Designate spouse, or living partner's employment status if applicable. Identify Non-Purchasing Spouse (NPS), partner, live in, etc. on the employment section of the application and include their social security number.
 - Occupancy Standards**; Provide household member's age & gender / how many bedrooms
 - Verification of Employment** current and signed by the employer's representative.
 - A. Supply 2 (two) current months of consecutive pay stubs for Applicant(s) and 2 for all persons who will occupy the residence 18 years and older.**
 - B. Household income consists of all money received or earned** by any person 18 years of age or older, who currently resides or who will reside in the home.
 1. Submit current year benefit letters/verification of Income for public assistance, separate maintenance payments or child support for persons that will live in home.
 - Title Commitment & Policy**; must show City of San Antonio as 2nd lien holder for total HIP funds without endorsements
 - Single Parent Household - Divorce Decree, final (if applicable);**
 - A. Submit current year **child support printout** as evidenced by the Bexar County Child Support registry or Attorney General's office.
 - Copy of Texas ID Photo** for borrower & co-borrower.
 - Six (6) months most current consecutive checking bank statements.**
 - One (1) month most current savings bank statement**
 - TREC Property Inspection Report**; Invoice to title company for HIP funds credit.

Commitments will be made to the purchaser contingent upon receipt of these documents, re-verification if needed for eligibility, and income qualification based on the Verification of Employment.
- Appraisal Report - copy.**
 - Homebuyers' Class certificate from HUD approved class. - copy**
 - Homeowners Insurance Declaration Page (replacement coverage) - prior to closing.**
 - Flood Certification, copy.**
 - COSA reserves the right to return and/or suspend incomplete packets**

Realtor's information sheet

AN INFORMED SELLER AND BUYER ARE THE BEST CUSTOMERS!

First-time homebuyer(s) who have not owned a home in the last 3 years are required to enroll in HUD approved certified Homebuyers' Class, visit www.sanantonio.gov/NHSD/programs/downpayment for class schedule and registration. See all HIP Guidelines for income qualifications and other pertinent information.

- **Home must be located within the CITY OF SAN ANTONIO**

The sales price for an existing home cannot exceed \$170,000. The sales price for a newly constructed home cannot exceed \$228,000. This "Affordable Home Price", has been established by the San Antonio City Council.

- Occupancy Standards under the procedural guide will be utilized.
- TREC Property Inspection Report is required for all existing and new construction homes.
- COSA staff will review property inspection report to complete the *HIP Property Review*, formerly the Housing Quality Standard (HQS) (24CFR, Section 882.109) form. In accordance with HUD regulations, all homes built prior to 1978 will receive visual lead based paint assessment. If applicable, a lead clearance test will be required on stabilized area(s).

For information on visual assessments and/or inspections for lead base paint issues, contact Environmental & Consumers Safety at 1-888-778-9440. The National Lead Information Center Clearing House has specialists available to answer any of your questions regarding lead issues at 1-800-424-5323; website: www.epa.gov/lead.

- The *HIP Property Review* (previously the HQS) form may uncover City code violations that will need to be addressed prior to closing the loan. The house must meet the house review standards for approval of HIP funds. The Property Review is not a substitute for the TREC inspection report but is used to comply with HUD regulations.
- Once the buyer is credit approved and the Earnest Money contract is receipted, ask the lender to submit loan packet to COSA for processing. Time frame is 7-15 days to close.
- Check with lender to verify that a complete loan packet has been submitted to COSA.
- Advise Lender to wait on ordering appraisal pending HIP Property Review results on existing properties.
- Household assets over \$5,000 will be calculated as annual income at a rate of .06% (passbook rate). For example, 401k, or a retirement plan.
- After lender requests closing funds; allow COSA 48 hours to prepare closing documents.
- The purchaser will have closing costs to pay which are not covered through the HIP Program.

Communication is the key. Please remember to keep all parties informed on any changes that will affect the loan qualification process.



HIP LOAN CALCULATION

Borrower: _____

Date: _____

New Address: _____

1. A final Closing Disclosure (C.D.) must be sent via e-mail to CITY for approval before closing.
2. CITY funds will not be released until CITY receives a signed C.D. by e-mail.

The Assistance in the amount of \$ _____ is to applied as follows:	Allowable Amount		
Down Payment: FHA & CONVENTIONAL Loans (VA Loans n/a) (Sales Price – Loan Amount)			
LENDER CLOSING COSTS			
Loan Origination Fees (1% of loan amount, if any) do not Include Application Fees, Administration Fees, Participation Fees, Discount Fees or Buy-down Fees.			
Processing Fee (if not in the 1% Loan Origination)			
Underwriting Fee (if not in the 1% Loan Origination)			
Lender Commitment Fee			
Appraisal			
Credit Report			
Document Preparation/Attorney Fees			
Flood Certification			
Verification of Employment-Verification of Deposit			
TITLE COMPANY CLOSING COSTS			
Closing Fee/Settlement Fee			
Title Commitment Fee/Lender Title Insurance			
Courier Fees			
Notary Fees			
Survey			
Owner's Title Insurance Policy			
Recording Fees (include the recording fees to City Deed of Trust & the Declaration of Restrictive Covenants)			
Transfer and HOA fees			
PREPAIDS			
Accrued Interest (up to 15 Days) \$_____ per day/days)			
Fire and Extended Coverage (14 months)			
OTHER			
Independent Inspections:			
Property Inspection Report			
Lender Final Inspection/Lead Final Clearance			
Pets Inspection			
TOTALS:			

CONTINUED ON NEXT PAGE

FUNDING: Funds will be released at the time of CITY's receipt of signed Closing Document. ANY OVERAGES ARE TO BE RETURNED TO THE CITY OF SAN ANTONIO UNLESS OTHERWISE APPROVED.

CLOSING INSTRUCTIONS:

1. The down payment allowed for FHA, VA and Conventional loans.
2. If the full 15 days of interest is not used, the overage may not be applied to other closing costs without City approval.
3. Insurance coverage must be in an amount not less than the combined loans and carry mortgagee's clause payable to City of San Antonio. (see below clause). *
4. CITY requires a Mortgage Loan Policy, in the amount of CITY 2nd lien without endorsements.

Please email the Closing Document and Closing Disclosure (CD) to Loan Officer for approval prior to closing.

Any excess funds are to be returned to CITY and must to be listed on C.D. under adjustments as Line Item: "Funds Returned to City" or "Overage to City"

FOR FUNDS RELEASE: As soon as possible after closing, please **MAIL OR COURIER** the following documentation to CITY of San Antonio, 1400 S. Flores, San Antonio, Texas 78204 to the attention of HIP Loan Officer.

Executed Documents:

1. CD (Closing Disclosure)
2. Deed of Trust
3. Declaration of Restrictive Covenant of Affordability

Originals:

4. Real Estate Note
5. Homeowner Incentive Program Agreement
6. Lead Base Paint Disclosure (if any)
7. Part 5 Annual Income Calculation
8. 24 CFR Part 5 Annual Income Calculation

HIP Approved/Disapproved Closing Costs

ALLOWABLE Costs

CLOSING COSTS:

Appraisal
Attorney's Document Preparation
months
Insurance Closing Fee/Title Company
Commitment Fee
Credit Report
Courier Fees Flood
Certification
Lead Clearance Report – 1 time only
Origination Fee 1%
Notary Fees Pest
Inspection
Processing Fee lender
Property TREC Inspection Report
Recording Fees
Survey
Title Insurance Transfer
and HOA Fees
Underwriter Fees
Homeowners Insurance

PREPAIDS:

Accrued Interest up to 15 days
Homeowner's up to 2

DISALLOWED Costs

Application Fee
Administrative Fees Closing
Investor Fee Commission
(Real Estate)
Discount Fees/Buy-down Fee
Finder's Fees,
Servicing Fees
Mortgage Insurance Premium (MIP)
Participation Fee
Property Taxes
Recording Fee Assignment to Investor
Repair Escrow Fee
Tax Certificate
Tax Service Fee
Homeowner
Warranty



CITY OF SAN ANTONIO NEIGHBORHOOD & HOUSING SERVICES DEPARTMENT

Homeownership Incentive Program (HIP)

Lender's Packet Checklist

This checklist is provided to help guide lenders through the documents that HIP staff will need in order to process a loan file requesting HIP funds. There are basic documents that will be necessary for all files you submit to HIP. HIP will contact you after receipt of your file to advise you if any additional documentation is needed. Visit www.sanantonio.gov/NHSD for more information.

Coordinate with your real estate agent to send these as soon as they are available. HIP will use these documents to open a new file and conduct the HIP Property Review even though your lender file may not yet be complete.

1. **Copy of purchase contract receipted by the Title Company; including all addenda.**
2. **Copy of the TREC Property Report for the subject property**

Afterward, once you have the following documents ready forward them to HIP:

1. **HIP Lender's Cover Sheet**
2. **Loan Estimate & Itemized Fees Worksheet**
3. **Title Commitment** (add COSA as Proposed Insured)
4. **Signed Loan Application**
5. **Copy of buyer's Homebuyer Education Certificate**
6. **Verification of Employment** (Zero Income Form for adults with no income)
7. **Two Months Most Recent Pay Stubs** (or other proof of income as applicable)
8. **Six (6) Most Recent Checking Account Statements**
9. **One (1) most recent Savings Account Statement**
10. **Photo IDs and Social Security Cards for Household members over age 18**
11. **Insurance Declaration** (add COSA as 2nd Mortgagee see below)
12. **Flood Certificate**
13. **Appraisal**

There forms are internal to HIP and can be provided to you:

- Certification of Zero Income (a form for adults in the household with zero income)
- Lender's Cover Sheet
- Mortgagee Clause: City of San Antonio, Loan Servicing, 1400 S. Flores, San Antonio, TX 78204

**Please do not send any extra documents that are not listed on this checklist.
HIP staff will contact you if more documentation is necessary.**



CITY OF SAN ANTONIO NEIGHBORHOOD & HOUSING SERVICES DEPARTMENT

Homeownership Incentive Program (HIP) Lender's Cover Sheet

Submit this completed form with your loan package

Mortgage/Lender Name	
Loan Officer	
Phone	
Email	
Processor	
Phone	
Email	

Subject Property Address: _____	
Number of Bedrooms: _____	HIP Funds Requested: \$ _____
Name, Age & Gender of All Adult and Children Household Members	
<i>Ex:</i>	<i>Pat Stanley / 53 / Male</i>
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	

Please Forward Documents to:
 City of San Antonio
 Homeownership Incentive Program (HIP)
 1400 S. Flores
 San Antonio, TX 78204