



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

PROCEDURAL GUIDE

**HOMEOWNERSHIP INCENTIVE
PROGRAM**

HIP 120 - GENERAL FUND

OCTOBER 2019

Contact: 210-207-6459

1400 S. Flores, San Antonio, Texas 78204

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

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Introduction

The Neighborhood & Housing Services Department (NHSD) administers the Homeownership Incentive Program (HIP 120 - General Fund) to provide down payment and closing cost assistance to eligible first-time homebuyers. Assistance with the general fund will be provided to homebuyers with incomes at or below 120% of the Area Median Income (AMI) and will be in the form of a *forgivable* loan and a *perpetual loan*. Families with income at or below 120% AMI may qualify for an FHA 203B, FHA, VA or a Conventional loan to finance the purchase of an existing or completed inventory newly constructed home.

The down payment and closing cost assistance will be provided on a first-come, first-serve basis and on the availability of funds. Any questions related to the program should be directed to NHSD at (210) 207-6459 or submit questions to the following link <https://www.sanantonio.gov/NHSD/About/Contact?sendto=NHSD-HLO>

Who is Eligible for Assistance?

To be eligible for participation in the HIP 120 General, clients must meet all of the following criteria:

1. The household's gross annual income cannot exceed one hundred twenty percent (120%) 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. NHSD will re-verify the household's gross income if more than 6 months has lapsed from when borrower was initially qualified. NHSD reserves the right to re-verify the household's gross income at any time.
2. 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 120 down payment assistance For example: inherited property or;
 - b) Displaced person or family that involuntarily and permanently moves from real property as a direct result of acquisition, rehabilitation, or demolition or;
 - c) Divorced – Individuals who have recently divorced and will purchase a new primary residence are exempt from the three-year rule. Proper documentation will be required such as divorce decree.
3. All contributing members of a household receiving HIP 120 General 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.

4. The borrower must occupy the home and declare it as their homestead for tax purposes during the term of program assistance.
5. The borrower must qualify for an FHA, VA or a Conventional mortgage loan from a legitimate mortgage lender.
6. Owner financed loan does not qualify for HIP 120 General funds.
7. Buyer must attend 8 hour HUD approved homebuyers' training session provided by the City of San Antonio and submit a certificate of completion form prior to closing. Online registration is available at <https://www.sanantonio.gov/NHSD/Programs/DownPayment>.
8. 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 Home Qualifies

1. The home to be purchased must be located within the City of San Antonio. You can conduct a search by address in www.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 **\$228,000**. The maximum sales price of a newly constructed home shall not exceed **\$240,000**.
3. Eligible Property Types include any property that will serve as the purchaser’s principal residence, including:
 - A single-family property (one unit);
 - A Condominium unit;
 - 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.
 - A manufactured home;
 - The manufactured housing must be connected to permanent utility hookups.
 - The manufactured housing must be located on land that is owned by the manufactured housing unit owner.
4. The home can be and existing or complete inventory new construction.
 - a) A newly constructed unit must meet City’s universal design Existing and complete inventory new construction housing that is acquired for homeownership (e.g., down payment assistance) must be decent, safe, sanitary, and in good repair. The housing must meet all applicable State and local housing quality standards, code requirements and the housing does must 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) pursuant to 24 CFR 5.705. The City must inspect the housing and document compliance based upon an inspection that is conducted no earlier than 90 days before the commitment of HOME assistance. If the housing does not meet these standards, the housing must be repaired /improved or it cannot be acquired with HOME funds. HOME funds may not be used for the required repairs.
 - b) 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.

- c) Unit must contain adequate living space. HIP 120 funds are governed by certain Federal Regulations to ensure that funds are not used to contribute to overcrowded housing conditions. Refer to Page 11 for Occupancy Standards.
- d) 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.
- e) 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 120 - General ASSISTANCE:

- Assistance is secured by a second lien loan on the total HIP 120 - General amount.
- Assistance is not to exceed \$15,000; the minimum available loan is \$1,000.
- The HIP 120 – General loan will be in the form of a *perpetual* and *forgivable 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.
- First lien interest rate may not exceed 2% of current market rate.

2. CHANGE IN LENDER AND/OR PROPERTY:

- If purchaser changes the lender after a HIP 120 - General commitment is issued, a “Letter of Transfer”, a revised Loan Estimate (LE), Itemized Fees Worksheet, and a Transmittal Summary are required by COSA-NHSD.
- Should the purchaser change properties after HIP 120-General commitment, a new request must be submitted by the lender to COSA-NHSD along with all items outlined on HIP 120 - General Lender Checklist.

3. EXCESS OF CLOSING FUNDS:

- Funds returned to COSA-NHSD after closing due to an overage of HIP 120-General assistance are applied to the forgivable loan as a principal reduction.

4. PERPETUAL LIEN:

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

Underwriting Guidelines

1. Qualifying debt to income ratios are 33% housing ratio on the front end and 45% total debt ratio on the back end. The compensating factors are included in the 33% and 45% ratios.
2. Fixed interest rate cannot exceed 2% of the current market rate.
3. Up to 1.0% origination fee is covered by HIP 120 – General funds.
4. Up to 2 points Discount Fees or Buy-down Fees is covered by HIP 120
5. Minimum \$500 earnest money deposit shall be made by the buyer toward the purchase of the home.
6. The initial down payment assistance approved will be the minimum required in order to qualify per lender guidelines. Borrower's down payment must be clearly documented on the itemized worksheet, loan estimate and Closing Disclosure.
7. Maximum HIP 120 General loan is up to \$15,000 and is subject to the 1st lien holder's approval of combine Loan to Value (CLTV).
8. Minimum \$1,000 HIP 120 loan.
9. Minimum 25% of the loan will be a perpetual loan.
10. 75% of loan will be forgivable over 10 years. Pro-rated balance to be paid if sold prior to forgivable period.
11. Maximum sales Price for an existing home cannot exceed **\$228,000**. Maximum sales Price for a new inventory construction home cannot exceed **\$240,000**
12. No bankruptcy within the following timeframe:
 - Chapter 7: Must be five (5) years from date of discharge.
 - Chapter 13: Must be two (2) years from date of discharge.

NHSD Processing and The HIP 120 – General Commitment

IT IS RECOMMENDED THAT THE LENDER VERIFY THAT THE FILE IS COMPLETE AND CREDIT APPROVED, PRIOR TO SUBMISSION TO COSA-NHSD. . Submit files by mail or courier, **no 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 120 – General will use these documents to open a new file and conduct the HIP 120-General Property Review even though your lender file may not yet be complete.

1. Copy of purchase contract received by the Title Company; including all addendum.
2. Copy of the Property Inspection Report for the subject property (**including completed inventory new construction**)
3. Copy of the City of San Antonio Homebuyer’s Education Class Certificate

Property Inspection Report will be reviewed by COSA-NHSD 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, – Housing Loan Coordinator 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 7-10 business days turn around.
2. 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 Loan Estimate and Itemized Fees Worksheet, COSA-NHSD loan officer computes the amount of HIP 120-General assistance.
4. Lender must submit all required documentation (Lender’s Packet Checklist, see page 12) three (3) weeks prior to the scheduled closing date. **The only documents that can be received a week prior to scheduled closing are: homeowner’s insurance, title commitment, and the appraisal.** After lender has submitted all required documentation and HIP 120-General assistance has been approved, an executed commitment letter will be provided.
5. COSA - NHSD will order legal documents from the City Attorney’s Office and will wire transfer funds to title company. There is a 3 business days turn around.
6. The COSA – NHSD loan officer will deliver and or email legal documents to the title company.

Coordination with COSA – NHSD loan officer is essential to meet closing schedules and avoid delays.

The Earnest Money Contract

1. COSA – NHSD requires a copy that is legible.
2. The contract must show a fixed interest rate.
3. The contract must be properly received 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-NHSD 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.

2019 Income Limits

(Updated by Department of Housing & Urban Development annually)

HH Size	1	2	3	4	5	6	7	8
Total Income	\$59,650	\$68,150	\$76,700	\$85,200	\$92,000	\$98,850	\$105,650	\$112,450

Occupancy Review

Occupancy review of the proposed property will determine if the structure has sufficient living/sleeping space to accommodate the family size.

<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

Lenders Checklist for HIP 120-General Packet

This checklist is provided to help guide lenders through the documents that HIP 120 staff will need in order to process a loan file requesting HIP 120 funds. There are basic documents that will be necessary for all files you submit to HIP 120. The Housing Loan Officer will contact you after receipt of your file to advise you if any additional documentation is needed. Visit www.sanantonio.gov/NHSD/programs/downpayment for more information.

Coordinate with your real estate agent to send these as soon as they are available. HIP 120 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 Property Inspection Report for the subject property (including completed inventory new construction)**
3. **Copy of the City of San Antonio Homebuyer's Education Class Certificate**

IT IS RECOMMENDED THAT THE LENDER VERIFY THAT THE FILE IS COMPLETE AND CREDIT APPROVED, PRIOR TO SUBMISSION TO COSA. Submit files by mail or courier, **no emails will be accepted. All documents must be legible. Complete files close first.**

- 1. **Lender's Cover Sheet** including name, address, phone & email of loan officer. Indicate buyer's name, property address, number of bedrooms and the amount of HIP 120 funds requested. *Provide detailed information, i.e., how many in household, relationship, gender, NPS employed, etc., information pertinent to HIP 120 loan that is not on your standard forms*
- 2. **Copy of Texas ID Photo** for borrower & co-borrower and **All** adults household member and **SS card**.
- 3. **Signed Loan Estimate**
- 4. **Itemized Fees Worksheet**
- 5. **Copy of purchase contract receipted by the Title Company; including all addendum - (Extension of contract)** and **Lead Base Paint Addendum** (if apply)
- 6. **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
- 7. **Occupancy Standards**; Provide household member's age & gender / how many bedrooms
- 8. **Verification of Employment** current and signed by the employer's representative.

9. Supply **2 (two) current months of consecutive** pay stubs for Applicant(s).

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.

- a. Submit **2 (two) current months of consecutive pay stubs** for **ALL** persons who will occupy the residence 18 years and older.
- b. Submit current year **benefit letters/verification of Income for public assistance, separate maintenance payments or child support for persons** that will live in home.

10. **Single Parent Household - Divorce Decree, final (if applicable);**

A. Submit 6 (six) month's most current year **child support printout** as evidenced by the Bexar County Child Support registry or Attorney General's office.

11. **Six (6) months most current consecutive checking bank statements** ALL adults household member

12. **One (1) month most current savings bank statement** ALL adults household member

13. City of San Antonio **Homebuyers' Class certificate** from HUD approved class – copy

14. **Wire Instructions**

15. **Flood Certification**

16. **Flood Insurance Declaration Page** (if apply)

17. **Homeowners Insurance**

Mortgage Clause: City of San Antonio, Loan Servicing, 1400 S Flores, San Antonio, TX 78204

18. **Title Commitment & Title Policy;**

Must show **City of San Antonio** as 2nd lien holder for total HIP funds **without endorsements**

19. Property Inspection Report copy Invoice to Title Company for HIP 120 funds credit

20. **Appraisal Report** – copy

21. **Final Appraisal Report** (if apply)

There forms are internal to HIP 120 and can be provided to you: (also available on our website <https://www.sanantonio.gov/NHSD/Programs/DownPayment>)

- Certification of Zero Income (a form for adults in the household with zero income)
- Zero Asset Affidavit form for those households reporting no assets
- Lender's Cover Sheet

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

COSA – NHSD 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**

Send these as soon as they are available. HIP 120 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 Property Inspection Report for the subject property (including completed inventory new construction)**
3. **Copy of the City of San Antonio Homebuyer's Education Class Certificate**

The sales price for an existing home cannot exceed **\$228,000**. The sales price for a completed new inventory construction cannot exceed **\$240,000**. Occupancy Review under the procedural guide will be utilized.

- Property Inspection Report is required for all existing and new inventory construction.
- COSA staff will review property inspection report to complete the *HIP Property Review*. 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 120 Property Review* 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 120 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- NHSD for processing. Time frame is 30 to 45 days to close.
- Check with lender to verify that a **complete** loan packet has been submitted to COSA- NHSD Housing Loan Coordinator
- Advise Lender to wait on ordering appraisal pending HIP Property Review results on existing properties.
- After lender requests closing funds; allow COSA 72 hours to prepare closing documents and generate funds check/wire transfer. NHSD staff will submit a request to generate a "funds check or wire transfer" and forward the check or wire the funds directly to the title company to be used at the transaction closing.
- The purchaser will have disallowable closing costs to pay which are not covered through the HIP 120 General Program.

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



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

HIP 120 General Fund 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 and executed loan documents. by e-mail.

The Assistance in the amount of \$ _____ is to applied as follows:	Allowable Amount
Down Payment: FHA down payment amount from lenders LE page 2 Down payment/Funds from Borrower, CONVENTIONAL (Per lender's qualifying guidelines) & VA (N/A) / All approved down payment amounts are subject to review by NHSD Loan Officer	\$ _____
LENDER CLOSING COSTS	
Loan Origination Fees (up to 1% of loan amount, if any) do not Include Application Fees, Administration Fees, Participation Fees	\$ _____
Processing Fee (up to \$ 500)	\$ _____
Underwriting Fee (up to \$500)	\$ _____
Discount Fees or Buy-down Fees (up to 2 points)	\$ _____
Lender Commitment Fee	\$ _____
Appraisal	\$ _____
Final Appraisal Report (if apply)	
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 (10 pages) & the Declaration of Restrictive Covenants, (3 pages)	\$96.00 + \$ _____
Transfer and HOA fees	\$ _____
PREPAIDS	
Accrued Interest (up to 15 Days) \$ _____ per day/days)	\$ _____
HOI (initial escrow payment (2) months	\$ _____
OTHER	
HOI Premium (12 months)	\$ _____
Independent Inspections:	
Property Inspection Report	\$ _____
Second Property Inspection Report	\$ _____
Lender Final Inspection/Lead Final Clearance	\$ _____
Pest 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. Closing Disclosure must be submitted and approved 3 days prior closing
2. The down payment allowed for FHA, VA and Conventional loans.
3. If the full 15 days of interest is not used, the overage may not be applied to other closing costs without City approval.
4. 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)
 - Mortgage Clause: City of San Antonio, Loan Servicing, 1400 S. Flores St., San Antonio, Texas, 78204
5. CITY requires a Mortgage Loan Policy, in the amount of CITY 2nd lien **without endorsements.**
6. 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**"

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

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)

Recorded Documents separately:

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)

HIP 120-General Approved/Disapproved Closing Costs

ALLOWABLE Costs

CLOSING COSTS:

Appraisal
Appraisal Final Inspection Report
Attorney's Document Preparation
Closing Fees/Title Company
Commitment Fee
Credit Report
Courier Fees
Flood Certification
Lead Clearance Report – 1 time only
Origination Fee – up to 1% Mortgage Loan
Discount Fees/Buy-down Fee (up to 2 points)
Processing Fee lender – up to \$500
Underwriter Fees – up to \$500
Notary Fees
Pest Inspection
Property Inspection Report
Second Property Inspection Report
Recording Fees
Survey
Title Insurance
Transfer HOA Fees
Homeowners Insurance
Verification of Employment Fee
Mortgage Credit Certificate Fee - MCC
Flood Insurance

PREPAIDS:

Accrued Interest - up to **15** days
Homeowner's - up to (2) two months
Flood Insurance - up to (2) two months

DISALLOWED Costs

Application Fee
Administrative Fees Closing
Investor Fee Commission
Real Estate
Finder's Fees
Servicing Fees
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 120 General) Lender's Cover Sheet

Submit this completed form with your loan package

Mortgage/Lender Name	
Loan Officer	
Phone	
Email	
Processor	
Phone	
Email	
Title Escrow Officer name and email	
Subject Property Address: _____ Number of Bedrooms: _____ HIP 120 Funds Requested: \$ _____	
Name, Age & Gender of All Adult and Children Household Members, relationship	
<i>Ex:</i>	<i>Pat Stanley / 53 / Male / son</i>
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	

Please Forward Documents to:

City of San Antonio
Homeownership Incentive Program (HIP 120- General Fund)
1400 S. Flores, San Antonio, TX 78204