

**RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY
NEIGHBORHOOD STABILIZATION HOMEOWNERSHIP PROGRAM**

NSHP

GENERAL INFORMATION



This brochure is intended to provide a general overview of the Riverside County Neighborhood Stabilization Homeownership Program for prospective first-time home buyers and other interested persons. After reviewing this material, if you feel that you qualify for the program, please contact a participating lender. Please visit www.rivcoeda.org for a list of participating lenders.

March 17, 2009

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For more information. If you would like to apply for the NSHP Program, please contact one of the participating lenders. They will review your qualifications and assist in applying for the program. To locate a participating program lender please visit www.rivcoeda.org

If you have any questions or need additional information about the NSHP Program, please contact:

**Riverside County
Economic Development Agency**
Neighborhood Stabilization Homeownership Program
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Riverside, CA 92507

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**RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY
NEIGHBORHOOD STABILIZATION HOMEOWNERSHIP PROGRAM
INFORMATION PACKET**

What is the Neighborhood Stabilization Homeownership Program (NSHP)? The primary objective of the Neighborhood Stabilization Homeownership Program (hereafter called “Program”) is to stabilize neighborhoods affected by large number of foreclosed homes. The Program addresses the problem of abandoned and foreclosed homes in Targeted areas within Riverside County, which will be available for purchase by first-time homebuyers of low and moderate income. The Program will be available to anyone who has not owned a home in the last three years, has an annual income that is not greater than 120% of the area median income as published by the U.S. Department of Housing and Urban Development (HUD), and is purchasing a vacant foreclosed home in the designated Target areas in the County of Riverside. This Program will provide down payment assistance as a silent-second loan and recorded as a second deed of trust to low and moderate income first-time homebuyers in the amount of twenty percent (20%) of the purchase price of the home.

What is the Neighborhood Stabilization Home Repair Assistance Program? In addition to down payment assistance, the program also offers optional Home Repair Assistance which provides neighborhood stabilization to the foreclosed homes purchased within the program by incorporating energy-efficient improvements for long-term affordability and increased sustainability to housing and neighborhoods. Home Repair Assistance must meet Housing Quality Standard (HQS) standards and identified by EDA prior to the close of escrow. The EDA home repair component will include items such as curb appeal and landscaping after the close of escrow. However, all home repair items will be identified prior to closing. The total combined amount of down payment assistance and home repair assistance can not exceed \$75,000. EDA Home Repair Assistance will be secured by a third deed of trust recorded in subordinate position to the first mortgage and second respectively. Closing cost assistance is not available under this Program.

How does the EDA assess home repair needs? Once eligibility has been determined, home inspection report received, correction letter issued, if applicable, EDA will schedule an initial on-site inspection of the property to include the homeowner to go over items that are covered under the home repair assistance. Certain repairs that will not affect the homebuyer from moving in after the close of escrow and deem beyond the scope of the lender habitability standard can be included as part of the additional repair assistance. All repair that affects the move-in and habitability standard must be corrected and completed prior to close of escrow as a condition of down payment assistance requirements. Any repair work shall be to the extent necessary to comply with Housing Quality Standards meeting the U.S. Department of Housing and Urban Development (HUD). All work shall comply with applicable laws, codes, and other requirements to housing safety, quality, and habitability. EDA reserves the right to disallow certain improvements.

How is the Bid Process Performed? EDA will finalize the statement of work, prepare bid package and solicit bids from EDA established list of licensed qualified general contractors. A pre-bid walk thru will be set up by EDA and closing bids will be established prior to close of escrow.

EDA will review all bids received and select the lowest responsive bids in accordance to HUD procurement requirements. The bids will be reviewed for cost-reasonableness, consistency and accuracy with respect to the requested repairs.

Once the amount of repair assistance has been determined, a deed of trust and note for that amount will be prepared, approved and signed by homebuyer. A contract agreement between EDA and the contractor and a contract agreement between EDA and homebuyer will also be prepared and executed. Contractor will be notified however no work will initiate until after the close of escrow. The deed of trust will not be recorded until after the completion of the repair work and the final payment of the work.

How soon can the home repair work start? After the close of escrow, EDA will schedule a Pre-Construction Conference to review the home repair work order with the homeowner and the selected contractor. The conference will be used to go over the scope of work, time line, disbursement of funds process, and completion and close out of work. Contractor is expected to provide sample products and color selection for approval by homebuyer.

A Notice to proceed will be issued at the end of the pre-construction conference. All work must be completed within thirty days. EDA will require the contractor to provide warranty statements directly to the homebuyer

What takes place during the Construction Phase? EDA will schedule site visits inspection as needed during construction to ensure satisfactory work and progress.

Upon receipt of notice from the contractor that the repairs have been completed, EDA will complete a final on-site property inspection in cooperation with the homeowner to verify all repairs are complete to their satisfaction.

Who qualifies for the NSHP Program? The three basic qualifications for the NSHP Program are (1) the buyer must be a first time homebuyer; (2) buyer's annual income must be one hundred twenty percent (120%) or less of the area median income; and (3) the home being purchased must be located in the NSP qualifying areas with the maximum purchase price of \$292,686 and the home must be a foreclosed property that has been vacant for over 90 days.

What is a first time homebuyer? In order to qualify as a first time homebuyer, purchaser(s) cannot have owned a home for the previous three years from date of the NSHP application. The purchaser(s) must attest that they have not owned a home during the previous three year period. In addition, the last three years tax returns will be reviewed to ascertain that no mortgage interest or real estate tax deductions have been claimed. **Exception:** A person that qualifies as a displaced homemaker or a single parent and, while previously married, owned a home with his or her spouse, does not need to meet the first time homebuyer requirement. For the purposes of determining home ownership, a dwelling unit that was not permanently affixed to a permanent foundation (i.e. a mobile home) shall not be included in the three-year requirement.

What are the qualifying incomes? In order to be eligible for this program, the buyers' annual income shall not exceed 120% of the area median income, as determined by HUD, adjusted for family size. In addition, assets shall not exceed these limits. Currently, the income limits are as follows:

Maximum Annual Household Income Adjusted for Family Size Effective March 17, 2009	
Household Size	Maximum Annual Income
1	\$55,950
2	\$63,950
3	\$71,950
4	\$79,900
5	\$86,300
6	\$92,700
7	\$99,100
8	\$105,500

What are the other home buyer requirements? The home buyer must have sufficient income and creditworthiness to qualify for a first mortgage through one of the participating lenders. In addition, the buyer must accept the highest loan-to-value ratio first loan for which they qualify. In order to be eligible for participation in the NSHP Program, prospective purchasers must complete the minimum requirements of education in a Home Buyer's Seminar through an agency approved by the EDA.

What is the maximum home price? The maximum home purchase price under this program is currently \$292,686. The purchase price of the property must be at least 15% below EDA's market value appraisal. Down payment assistance will be based on 20% of the home sales price and shall not exceed \$75,000.

What are the qualifying locations? The Program will be offered in Targeted areas of Riverside County that have been identified to have the greatest need. The Targeted areas include **portion of** fifteen (15) cities and nine (9) unincorporated areas, which are listed below:

Cities

Banning, Beaumont, Blythe, Canyon Lake, Cathedral City, Desert Hot Springs, Indio, Lake Elsinore, Menifee, Murrieta, Norco, Perris, San Jacinto, Temecula, and Wildomar

Unincorporated Areas

East Hemet, Eastvale, French Valley, Highgrove, Home Gardens, Lakeland Village, Rubidoux, Temescal Canyon, and Thousand Palms.

Note: Not all areas inside the city boundary and the Unincorporated Areas mentioned above are Target Areas. Please check the Target Areas Map listed on the EDA website.

What types of properties are eligible? The NSHP Program may be used to purchase any foreclosed single family home, condominium /town home that meets all of the following minimum criteria:

- 1) The home is permanently fixed to a permanent foundation; and
- 2) The home is currently vacant. **Home must have been vacant for at least 90 days prior to Program application or it is ineligible.**
- 3) The home must be built after 1978 and not be listed on, or eligible for listing on the National Register of Historic Places.
- 4) In-ground Pools and Spas. Single-Family home with in-ground pools or spas **are** eligible for the Program.

What is the process to apply for the NSHP Program?

- (1) If you are a first-time homebuyer whose income are within the Program limits, the first step is to contact a participating lender for eligibility screening.
- (2) The lender will take a loan application at this time and pre-qualify you for a first loan and the NSHP Program. The lender will determine the maximum home price that you can afford, and will also determine whether you are eligible for assistance under the County of Riverside NSHP Program.
- (3) After the lender has determined if you are eligible for the program, you will need to attend an eight hour Homebuyer Education class for the NSHP Program. The lender will provide the names and phone numbers of approved homebuyer education providers, and you will need to call one of the providers to schedule a class. There may be a minimal charge to attend this class. **Note:** Please schedule for Home Buyer Education classes early, for they fill up quickly.
- (4) Once you are pre-qualified for the program and have a maximum home price, you may locate a home to purchase. If you are interested in an existing home, it is recommended that you contact a Realtor to assist you in locating a home to purchase. Note: Make sure that you look for foreclosed homes in NSHP target areas.
- (5) Once you have located a home, you will need to make a purchase offer and start escrow. Your real estate representative or new home salesperson and your lender can assist in this process. You must provide the NSHP-3 (Homeownership Notice to Sellers) and NSHP-6 (Voluntary Acquisition of Foreclosed Property) forms as addendums to the purchase contract (your lender can provide you with a copy of these Notices). Once your purchase offer is accepted and escrow begins, your lender will assist you in completing the application materials for the NSHP Program.

- (6) During escrow your lender will process your loan application for the first mortgage and NSHP Second mortgage. You will be required to sign forms authorizing the lender to submit a NSHP Reservation on your behalf and disclosing your current income from all sources. Prior to the close of escrow you will sign loan documents and both the first and second mortgages will be funded. If NSHP Home Repair Assistance was utilized, a third deed of trust will be signed by the home buyer and recorded.
- (7) When escrow closes, you will become a homeowner and will be responsible for maintaining the property in sound condition. You will begin making monthly payments on your first mortgage. The NSHP second and third mortgages will not require payments unless you sell your property or perform cash out refinance on the first mortgage. After the 15 year affordability period, the NSHP assistance is converted to a grant with no repayment of funds.

What are the first loan terms? The purchaser shall apply for a first mortgage from a participating lender. The first loan must be a fully amortized, fixed rate, thirty-year mortgage. The EDA Down Payment Assistance will be a deed of trust recorded in second position to the first mortgage and amount received for Home Repair Assistance will be recorded as a deed of trust in third position. The purchaser must accept the highest first mortgage amount (principal amount at going interest rate) for which they can qualify. Loan terms and qualifications (interest rate, creditworthiness, etc.) in addition to those specified above will be determined by the participating lender.

What costs can be paid by NSHP Program? The NSHP financial assistance will be provided as down payment assistance and repair assistance. The amount of assistance available depends upon the buyer's qualifications. In general, NSHP funds shall be used exclusively for down payment assistance. However, repair assistance is available to all eligible homebuyers who qualify for the NSHP program. The NSHP maximum assistance amount is \$75,000.

What are the terms of the Down payment Assistance? The minimum amount of assistance that may be provided is \$1,500 per home purchase. The maximum amount of assistance is 20% of the purchase price of the home. However, this assistance amount may be further reduced if the buyer does not need the full amount to purchase a home. The NSHP assistance is recorded as a second mortgage on your home. This deferred second mortgage does not require any monthly payments and is not interest bearing. In exchange for receiving funds to assist in the purchase of a home, the purchaser must agree to a fifteen (15) year affordability period. If the home is sold during the term of the affordability period, it must be sold to a low income buyer who qualifies for the NSHP Program or the full amount of the assistance must be repaid.

What are the terms of the Repair Assistance? The maximum amount of repair assistance in conjunction with NSHP down payment assistance shall not exceed \$75,000 combined. The repair assistance is provided in the form of a loan and is forgiven after fifteen (15) years. However, this assistance amount may be reduced depending on the home buyers down payment assistance needs.

Is there a deadline to apply for this program? The County will continue to accept Reservation applications as long as NSHP funds are available.

Who are the Approved Lenders? The County of Riverside has many participating lenders, with multiple branches throughout the County and Southern California, participating in the Neighborhood Stabilization Homeownership Program (NSHP) Program. The current list of participating lenders and branch offices are attached. **Purchasers must use one of the listed approved lenders and are encouraged to compare home financing terms between them.**

Note: Additional credit checks by lenders will add “inquiries” to your credit report which may reduce your overall credit score.

How were the Approved Lenders selected for the NSHP Program? The Economic Development Agency publishes a Request for Qualifications (RFQ) for qualified lenders. The RFQ was published in a newspaper of general circulation, and invitations were mailed to lenders participating in other homebuyer assistance programs administered by EDA as well as lenders requesting to be placed on our mailing list. All lenders were invited to submit materials detailing their qualifications for the program. All submittals that were received prior to the deadline were evaluated and ranked according to the criteria within the RFQ. Lenders that demonstrated in their submittals that they met all the program requirements were selected as participating lenders.

Can the NSHP program be used with any other County Programs? The Program can not be combined with other EDA down payment assistance programs such as Redevelopment Homeownership Program (RHP) or FTHB Programs. However, this Program can be combined with Mortgage Credit Certificate (MCC) Program which is a federal tax credit program. For more information on the MCC program please visit the EDA website at www.rivcoeda.org.