



NEIGHBORHOOD STABILIZATION PROGRAM DOWN PAYMENT CLOSING COST ASSISTANCE PROGRAM GUIDELINES

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NEIGHBORHOOD STABILIZATION PROGRAM (NSP)

Down Payment and Closing Cost Assistance Program Program Guidelines

The Prince George's County Neighborhood Stabilization Program (NSP) Down payment and Closing Costs Assistance Loan Program (DPCCA) is funded by the NSP grant program. NSP was established under Title III of Division B of the Housing and Economic Recovery Act of 2008 (HERA) to provide emergency assistance to States and units of local governments for the purchase and redevelopment of abandoned and foreclosed homes.

The DPCCA program will provide down payment and closing cost assistance to eligible homebuyers to purchase a foreclosed, vacant residential property in Prince George's County.

Definitions of Foreclosed Properties

A property has been foreclosed upon when, under state or local law, the mortgage or tax foreclosure is complete and title for the property has been transferred from the former homeowner under some type of foreclosure proceeding or transferred in lieu of foreclosure, in accordance with state or local law.

A short sale property would not meet the definition of a foreclosed upon property because a short sale is typically used to prevent a foreclosure. As such, the title to the property remains in the hands of the homeowner until the short sale is complete and title has been transferred to the new homeowner.

Applicant Eligibility

Applications will be accepted with no discrimination as to race, color, religion, creed, national origin, sex, marital status, physical or mental disability or sexual orientation.

Applicants must be 18 years of age or older.

Applicants must be first time homebuyers, or must not have not owned residential real estate anywhere during the three years immediately preceding the date of their mortgage application. (Investors or current owners of residential property are excluded from participation in this program).

Applicants must agree to live in the home being purchased as their principal residence.

Applicants must have an annual household income that does not exceed DPCCA Program limits (see Applicant Income below).

Applicants must be able to qualify for a first mortgage through a **Participating Lender**, in order to purchase the home.

Applicants must contribute a minimum amount of cash towards the purchase of the home (see Purchaser's Minimum Cash Requirement below)

Applicants must attend an 8-hour housing counseling class provided by a HUD Certified housing counseling agency and receive a Certificate of Completion.

Applicant must have an eligible ratified Contract of Sale on a vacant, foreclosed property in an eligible zip code.

Income

Applicants for DPCCA must have gross annual household incomes at or below 120% of the area median, adjusted for family size. An income chart is provided Attachment A. Annual household income is defined in 24 CFR 5.609, and is referred to as "[Part 5 annual income](#)." The Part 5 definition of annual income is the gross amount of income of all adult household members that is anticipated to be received during the coming 12-month period. Complete information can be found at www.hud.gov/offices/cpd/affordablehousing/training/web/calculator/definitions/part5.cfm, including whose income to count, the types of income to count, and the treatment of assets (in general, an asset is cash or a non cash item that can be converted to cash. It is the income earned from the asset - not the value of the asset - that is counted).

To assist in determining if an applicant is eligible, HUD has provided an income calculator, which can be found at <https://webapps1.hud.gov/hfc/calculator>. The Step by Step method must be used to determine eligibility.

Debt-To-Income Ratio A maximum total debt -to-income ratio of **45% for borrowers at or below 60% of AMI is required**. If total debt-to-income ratio exceeds 36 percent on a manually underwritten loan, strong compensation factors must be listed on the underwriting worksheet.

Property Eligibility

Location

The prospective property must be a vacant, foreclosed property located within one of the following (33) zip codes:

20607, 20608, 20705, 20710, 20715, **20716**, 20720,20721, 20613, 20722, **20743**, 20623, 20735, 20740, **20747**, **20744**, 20769, 20770, 20781, 20782, **20783**, 20784, **20785**, **20706**, 20707, **20708**, 20712, 20745, 20737, **20746**, 20748, 20772, 20774.

Of the 33 zip codes above the following are considered **Target Zip Codes**:

20716, 20743, 20747, 20744, 20783, 20785, 20706, 20708, 20746, 20748, 20772, 20774

Property Type

The prospective property must be a vacant, foreclosed residential structure including single family dwelling units, townhouses and condominiums.

Purchase Price

The purchase price of the prospective property must reflect a minimum 1% discount from the appraised value of property, determined by an appraisal completed within 60 days of the contract's final offer.

Physical Standards

The home to be purchased must meet minimum FHA Housing Standards as determined by the FHA Appraisal. Deficiencies identified in the FHA Appraisal must be corrected prior to closing and reflected in FHA Compliance Inspection Report (HUD -92051), or the costs of repairs escrowed by the lender, through mechanisms such as a 203k loan. In addition the buyer must procure a home inspection performed by a MD licensed Home Inspector. Deficiencies identified by home inspection that are a eminent threat to life, health and safety, as determined by NSP staff must be corrected prior to settlement.

Lead Based Paint

The NSP Program is subject to the Lead Based Paint Poisoning Prevention Act (42 u.s.c. 4831 et seq.) and the Lead Based Paint Regulations (24 CFR Part 35 and 24 CFR Section 570.608). All NSP assisted purchases for residential properties must have an NSP Lead Disclosure Form signed by both buyer and seller and must be included in the Participating Lenders Transmittal of the NSP Application Package to DHCD.

DPCCA Loan Amounts

Under the NSP DPCCA program, the County will provide loans for closing costs and to meet the minimum down payment required to comply with the underwriting regulations governing the type of first trust loan approved to purchase the property.

NSP DPCCA will lend to the purchaser of a vacant, foreclosed property in one of the 33 eligible zip codes, the *lesser* of 3.5% of the purchase price **or** \$15,000.

NSP DPCCA will lend to the purchaser of a vacant, foreclosed property in one of the 12 Target Area zip codes (highlighted above), the *lesser* of 7% of the purchase price **or** \$20,000.

NSP DPCCA will lend to the purchaser of a vacant, foreclosed property in one of the 33 eligible zip codes identified as work force housing, the *lesser* of 7% of the purchase price **or** \$20,000."

NSP DPCCA will lend to the purchaser of a vacant, foreclosed, property in one of the 33 eligible zip codes as work force housing the *lesser* of 7% of the purchase price **or** \$20,000. Workforce housing is defined as vacant, foreclosed properties located in one of 33 zip codes, purchased by teachers, police officers, nurses, firefighters, and employees purchasing a home within a 3 mile radius of place of employment.

FHA 203K Loan Program Requirements

For all FHA 203K Loans, the borrower must sign a 203k Loan Addendum to the NSP DPCCA Regulatory Agreement, The Addendum requires NSP DPCCA notification of the final Property Inspection.

Seller Requirements

Closing and Repair Costs

The NSP DPCCA Loan Program encourages Seller to make a contribution towards Buyer's closing costs and/or repairs to the Property:

For 3.5 % Down payment and Closing Costs purchases: Seller is encouraged to contribute 6% of the NSP Adjusted Sale Price towards Buyer's closing costs and/or repairs to the Property.

For 7% Down payment and Closing Cost purchases: Seller is encouraged to contribute 2.5% of the NSP Adjusted Sale Price towards Buyer's closing costs and/or repairs to the Property.

Certification of Property's Occupancy Status

Seller must certify that property is not lawfully occupied at the time of initial contract offer and that seller has not unlawfully evicted a tenant-occupant or refused to renew a lease in anticipation of an initial contract offer where the purchase is to be funded in part by NSP DPCCA funds. These certifications must be stated in an Affidavit signed by the Seller and witnessed by a Notary Public and attached as an addendum to the Contract of Sale. The form for the Affidavit will be provided by DHCD.

Purchaser's Minimum Cash Contribution

Purchaser's minimum cash contribution toward down payment, pre-paid and closing costs is as follows:

Purchaser's Income Level (as % of Area Median Income)	Minimum Purchaser's Required Cash Contribution*
50% of below	\$1,000
60%-80%	\$1,500
80-120%	\$2,000

*Payments of any up front costs by the purchaser will be credited to this amount.

Loan Term

The DPCCA loan term is 10 years.

Interest Rate

The interest rate will be 0%.

Primary Residency Restrictions

The prospective property must be the applicant's primary residence. Buyer must maintain the house as a primary residence for a 10 year period. At closing of the DPCCA loan, the borrower will be required to sign a regulatory agreement or declaration or covenants that will be recorded in the land records of Prince George's County.

Repayment Requirements

The DPCCA loan will be a deferred payment loan, secured on the property as a second trust, with a balance due upon sale or transfer of the property, or if the property ceases to be the primary residence of the borrower. The amount due will be determined by length of time the purchaser complies with the 10 year residency restriction.

The amount of the DPCCA due or forgiven is based on the following:

Purchaser Remains in Home	Balance Due (As % of Total DPCCA Received)
0-4 years	100%
4-6 years	50%
6-9 years	30%
10+years	0%

Subordination of First Trust Mortgage

The NSP DPCCA will subordinate to a new first mortgage to allow interest rate reductions or "streamlining", if all of the following conditions are met and the requested information is provided, in writing, to the NSP DPCCA Loan Servicing Manager.

1. The home must continue to be the borrower's primary residence
2. The new first mortgage must be a fully amortized, fixed-rate mortgage. (No adjustable rate interest, interest only or negative amortization loans are acceptable.)
3. **No CASH OUT to the borrower. NSP DPCCA will not subordinate if the borrower is refinancing for the purpose of liquidating equity in the home.**
4. NSP DPCCA lien is to remain in second place.
5. The NSP DPCCA loan terms and conditions do not change.
6. NSP DPCCA will not incur any costs related to the refinance of the first mortgage, including but not limited to, costs for courier service.
7. Documentation will be provided that the current appraised value is sufficient to include the new first mortgage as well as the NSP DPCCA lien. This documentation may be a copy of the current appraisal or written verification of the appraised value.
8. A copy of the Estimated Settlement Statement (HUD-1) is to be provided to NSP DPCCA with the Subordination Request.
9. The Subordination Agreement document shall include language that the agreement will be recorded concurrently with the new first mortgage.
10. All documentation is subject to NSP DPCCA approval.
11. The Subordination Agreement is to be prepared with Chief Administrative Officer for Prince George's County as authorized signatory.
12. The Subordination Agreement and supporting documentation shall be forwarded for processing to:

Prince George's County DHCD
NSP DPCCA Loan Servicing
9400 Peppercorn Place, Suite 200
Largo, Maryland 20774
Attn: Valencia Scott

13. Please allow at least seven (7) business days for NSP DPCCA processing of the Subordination Agreement.

At the discretion of NSP DPCCA, additional information and/or documentation may be required.

See Sample Subordination Agreement