



**CENTRAL NEBRASKA ECONOMIC DEVELOPMENT INC  
DBA  
CENTRAL NEBRASKA HOUSING DEVELOPERS (CNHD)**

**NEW CONSTRUCTION HOMEBUYER PROJECT &  
DOWNPAYMENT ASSISTANCE PROGRAM GUIDELINES**

**Purpose**

The CNHD Homebuyer Project is comprised of building two (2) new single-family homes in Stuart, Nebraska, and one (1) new single-family home in Sargent, Nebraska. The purpose of this project is to utilize Nebraska Affordable Housing Program Funds (NAHTFs) to provide Workforce Development Housing for potential homebuyers up to 100% of the Area Median Income in Stuart and Sargent.

**Applicant Eligibility**

**Income Eligibility:** Eligible applicants for a CNHD New Construction Homebuyer home must have gross incomes at or below 100% of the Area Median Income for their respective counties based upon family size. Nebraska Affordable Housing Trust Fund income limits will be used:

	100% AMI Income Limits Effective 2015 – Holt and Custer Counties							
County	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
Custer	\$41,900	\$47,900	\$53,900	\$59,800	\$64,600	\$69,400	\$74,200	\$79,000
Holt	\$42,000	\$48,000	\$54,000	\$60,000	\$64,800	\$69,600	\$74,400	\$79,200

Income eligibility and verification will be determined according to the definition found in 24 CFR 5.609. This definition requires the use of annual gross income as anticipated during the next 12 months.

The purchaser must show proof of qualification for permanent financing, including an explanation of the underwriting criteria used to make the lending decision. Underwriting criteria will include housing debt ratios used to determine borrowing capacity. The purchaser must also meet the underwriting criteria of CNHD, as follows:

**Homebuyer Contribution:** The purchaser must contribute a minimum of \$1,000 to closing costs and/or downpayment assistance.

**Homebuyer Education and Pre-Purchase Counseling:** The purchaser must successfully complete a REACH-approved homebuyer education course prior to the closing of the first mortgage. In addition, the purchaser must attend face to face pre-purchase counseling with the grant administrator.

**Homeownership Determination:** The CNHD New Construction Homebuyer homes shall be for owner-occupied purchase only. The properties will be sold with a fee simple title.

**Principal Residence:** CNHD New Construction Homebuyer homes shall not be retained for rental purposes. The purchaser must occupy the purchased property as their principal residence. In the event the borrower or his or her heirs shall sell or transfer said property, or it is no longer the primary residence of the borrower, less all other superior loans and liens on the property, the net sale price will be applied to satisfy the unpaid balance of the loan. If the property is sold the net proceeds of the sale will be applied to satisfy the unpaid balance of the loan and interest accrued.

#### **Property Eligibility:**

**Location:** CNHD New Construction Homebuyer homes will be located at properties approved by the Nebraska Department of Economic Development. Properties that are not within the above described location are ineligible for this Program.

**Property Codes:** The homes meet local building codes, the International Residential Building Code and the 2003 International Energy Conservation Code, and HUD's Lead-Based Paint Regulations. The units are also visitable according to the definition provided by the Nebraska Affordable Housing Program.

**Environmental Review:** The site and homes have been through a rigorous Environmental Review process, as proscribed by the Nebraska Department of Economic Development (NDED). The homes must have environmental clearance from NDED prior to taking any action on the project, including closing on the home.

**Purchase Price:** The purchase price of the homes will not exceed \$155,000. This purchase price also does not exceed the Section 203 (b) FHA Single Family Mortgage limit of \$200,160.

#### **Financial Assistance Provided:**

**Direct Homebuyer Assistance:** Up to \$27,000 of direct homebuyer assistance will be available for downpayment assistance and closing costs for the purpose of providing gap financing. The amount of gap financing will be determined by a lender, according to reasonable underwriting criteria and approved by CNHD. The downpayment assistance cannot exceed 20% of sales price of the home. The downpayment assistance will be in the form of a 2<sup>nd</sup> mortgage using Nebraska Affordable Housing Trust Funds and secured through a Deed of Trust.

One half of the downpayment assistance will be a 0% deferred forgivable loan over ten years. For each year the homebuyer maintains ownership and the unit is the primary residence of the owner, 1/10<sup>th</sup> of this portion of the downpayment assistance provided will be forgiven.

The net proceeds of the remaining ½ of the downpayment assistance will be due to Central Nebraska Economic Development, Inc. upon the sale of the home. If the net proceeds are insufficient to repay downpayment assistance and the homebuyer's investment, the subsidy will be paid only to the extent that proceeds are available.

Central Nebraska Economic Development, Inc. will recapture approximately 20% of any appreciated value upon the sale of the home.

**First Mortgage:** The purchaser will be required to secure permanent financing. The purchaser will be encouraged to maximize first mortgage permanent financing whenever possible through the following agencies: Nebraska Investment Finance Authority (NIFA); USDA – RD; FHLB Topeka, and Veterans Administration (VA). Local and participating conventional lenders will play a role in accessing many of these loan products.

**Per Unit Subsidy:** The per unit NAHP subsidy, including development and direct subsidy, will not exceed Section 221 (d)(3) subsidy limit of \$204,377 for a 3-bedroom unit in Holt County, and \$199,646 for a 3-bedroom unit in Custer County.

**Subordination Requests and Re-financing:** Subordination requests will be considered on a case by case basis; there must be sufficient equity to protect CNHD's interests. Refinances will only be permitted for the amount of the existing balance plus closing costs up to the original first mortgage loan amount. Subordination will not be granted in cases where the homeowner is receiving cash from the transaction or consolidating debt, except in documented cases of illness-related hardship.

### **Application Process**

**Marketing:** At a time and date established by CNHD, CNHD will officially solicit applicants for the CNHD New Construction Homebuyer home. CNHD will advertise the availability of the Program utilizing the most effective means possible for reaching the local public. This may include, but is not limited to the use of the local newspaper, local media (radio, television, etc.), posting notices at selected public and/or private facilities (i.e., public housing agencies and public service organizations), meetings with local employers, and personal meetings with local lenders, Realtors, and other service providers. CNHD is an equal opportunity housing provider. All housing activities, including marketing, will be conducted in accordance with the Fair Housing Act and will indicate no preference, limitation, or discrimination on race, color, religion, sex, national origin, handicap or familial status.

**Pre-Application:** CNHD New Construction Homebuyer homes applicants will contact the Judy Petersen, CNHD Executive Director at (402) 340-0106, P.O. Box 201, Chambers, NE 68725 to fill out an Application to determine income eligibility for a CNHD New Construction Homebuyer home. Upon CNHD's determination of eligibility, applicants will be encouraged to sign up for Homebuyer Education through the Central Nebraska Housing Developers, and contact local participating lenders for first mortgage permanent financing pre-approval.

**Homebuyer Education:** Central Nebraska Housing Developers (CNHD) will provide Homebuyer Education to potential homebuyers participating in the CNHD New Construction Homebuyer homes. CNHD holds "Pre-Home Ownership Series" workshops once per month within the region. Classes are comprised of 2 weeknights totaling eight hours. This program is approved by REACH. Class schedules can be obtained by contacting Central Nebraska Housing Developers, P.O. Box 201, Chambers, NE 68725, (402) 340-0106.

**Pre-Purchase Counseling:** The homebuyer education will be followed up with face to face Pre-Purchase Counseling and an application assessment will be conducted by the Grant Administrator.

**Participating Lenders:** A list of participating local residential lenders will be provided to the applicants for their convenience. The applicants may also choose a lender not included on the list. CNHD may non-select any applicant whose permanent financing is determined to be

predatory. This determination will be made on a case-by-case basis. Generally, loans are not considered predatory if the housing to income ratio is less than 30% and the debt to income ratio is less than 40%, have no pre-payment penalties, and late fees are not exorbitant. The reasonableness of these ratios is dependent on individual circumstances.

**Approval Procedure:** Applicants will be assisted on a first ready, first served basis. Applications will be prioritized based upon meeting and completing the following requirements:

- 1) The applicant must complete all application requirements prescribed by CNHD. This includes a determination of meeting income requirements.
- 2) The applicant must successfully complete the REACH Homebuyer Education Course and Pre-Purchase Counseling.
- 3) CNHD has received proof of qualification for the first mortgage. This includes receiving and accepting the terms and underwriting criteria used for the first mortgage and gap financing.

Upon meeting the above requirements, the applicant will receive a Notice of Selection and the amount of direct homebuyer assistance required by the applicant will be reserved until such time as the applicant is deemed ineligible. CNHD will continue to take applications and send notification to all applicants on a waiting list, indicating date and time of contact. If funds are available, the next applicant will be contacted and the process of assistance will begin.

**Selection and Non-Selection:** All applicants will receive a written Notice of Selection or Non-Selection, as appropriate. Notification will include the cause of the determination. Non-selection may occur any time during the application process, if CNHD repeatedly requests documentation of eligibility and the applicant is unresponsive for 30 days.

**Loan Closing:** The permanent financing lender will be responsible for scheduling both the permanent and CNHD Downpayment Assistance loan closing with the borrower and CNHD. The lender will facilitate the closing process with all participants. Title insurance or a commitment of title insurance must be secured prior to the closing.

The participating lender will have the borrower execute a Promissory Note and the Deed of Trust at the closing. The Promissory Note and Deed of Trust forms will be provided by CNHD. The lender will file the Deed of Trust at the Register of Deeds Office.

### **Additional Program Requirements**

**Conflict of Interest Clause:** No officer, employee, or agent of the Central Nebraska Housing Developers who determines policy or provides decision-making regarding the direct homebuyer assistance program will benefit directly or indirectly from assistance. This prohibition will also apply to the immediate family of the above-named groups. Immediate family is defined as spouse or domestic partner, children, siblings, and parents. Immediate family is also the children, siblings, and parents of a spouse or domestic partner. Other officers, employees, or agents of CNHD will have access to the program's assistance but will not be given preference during application selection and must provide a statement of disclosure regarding their relationship to the program. This clause will remain in effect for officers, employees, and agents who terminate their relationship with CNHD until one year has lapsed.

**Grievance Procedures:** In the event that any applicant feels he or she has been unfairly treated or discriminated against during the purchasing process or selection of downpayment assistance/closing, he or she may appeal the decision of the Housing Administrator for CNHD. The appeal must be received in writing by the Chairperson of CNHD within 14 calendar days of the Housing Administrator's decision. CNHD will then act to support or overturn the Housing Administrator's decision at the next scheduled meeting of CNHD, provided at least 14 calendar days have lapsed between the receipt of the appeal and the next Board meeting. If 14 days have not elapsed, CNHD reserves the right to carry over its determination on the appeal until the following scheduled meeting.

**Process for Approving and Amending Program Guidelines:** Any revisions made to these Program Guidelines must have approval from 1) the CNHD Board Chairperson, 2) CNHD Board, and 3) Nebraska Department of Economic Development.

**Affordability Period:** The Affordability Period for these homes is a period of 10 years. The affordability period requirement will be enforced with the filing of a Deed of Trust and through a Secured Loan Document.

**Recaptured Funds:** Recaptured funds will be returned to CNHD. The amount of recaptured funds will depend upon the amount of net proceeds from the sale of the property and any shared appreciation due to CNHD. Net proceeds are the sales price less closing costs and less the permanent financing principal still owed on the property. If net proceeds from the sale are less than equal to the amount of direct homebuyer assistance that was provided, recapturing the amount available will satisfy the repayment requirement.

The City of Sargent will have up to one (1) year to commit recaptured funds resulting from the new home construction project in their community. The Village of Stuart will have up to one (1) year to commit program recaptured funds resulting from the new home construction project(s) in their community. If either the City of Sargent or Village of Stuart do not commit recaptured funds within the one (1) year limitation, that community forfeits their funds to be used by CNHD in any part of service delivery area for eligible housing activities. This would include a full environmental review.

Recaptured funds will be reused by CNHD for future new construction costs and direct homebuyer assistance, or homeownership costs tied to these Program Guidelines.

**Program Income Reuse Plan:** All program income generated through the CNHD Homebuyer Project (#11-TFHP-2015) will be reused for future new construction or existing affordable homeownership housing projects, demolition only in conjunction with new construction, including development subsidies for new construction and direct homebuyer assistance, and associated costs in Stuart and Sargent. Full environmental reviews will be required for all projects utilizing these program income reuse funds.

The City of Sargent will have up to one (1) year to commit program income reuse funds resulting from the sale of the Sargent new home construction project. The Village of Stuart will have up to one (1) year to commit program income reuse funds resulting from the sale of the Stuart new home construction projects. If either the City of Sargent or Village of Stuart do not commit program income funds within the one (1) year limitation, that community forfeits their funds to be used by CNHD in any part of service delivery area for eligible housing activities. This would include a full environmental review.

Up to eight percent of the Program Income reuse funds will be used for General Administration and actual costs, not to exceed 10 percent of the Program Income Reuse Funds, will be used for Housing Administration.

CNHD acknowledges that all Program Income will be returned to NDED for reuse, unless NDED approves CNHD's Program Income Reuse Plan, or offers the option for CNHD to retain program income.

If use of recaptured funds or program income does not occur within 1 yr, CNED may use funds in any part of service delivery area for eligible housing activities. This would include a full environmental review.

### **Special Assurances**

CNHD will comply with all applicable provisions of the Revised Statutes of Nebraska, including, including but not limited to, 1) Relocation Assistance Act, 2) Nebraska Fair Housing Act, and 3) Uniform Procedures for Acquiring Private Property for Public Use.

CNHD will comply with the Fair Housing Act and does not discriminate on the basis of race, color, religion, sex, national origin, handicap, or familial status.

CNHD will comply with all provisions of the Americans with Disabilities Act as they apply to hiring, training, employment practices, access to facilities, and services provided.

CNHD will comply with all federal and local laws applicable to operations. These laws include, but are not limited to, 1) Civil Rights Act of 1964, 2) Age Discrimination Act of 1975, 3) Section 504 of the Rehabilitation Act of 1973, 4) Architectural Barriers Act of 1968, 5) Civil Rights Act of 1968, as amended by the Fair Housing Amendments Act of 1988, 6) Flood Disaster Protection Act of 1973, 7) National Environmental Policy Act of 1969, 8) National Historic Preservation Act of 1966, 9) Fair Labor Standards Act of 1938, as amended, and 10) Contract Work Hours and Safety Standards Act.