



**Rhode Island Housing**  
working together to bring you home

## **PROGRAM BULLETIN**

**Date:** July 2, 2009

**To:** Participating Lenders and Community Partners

**From:** Cathleen A. Paniccia

**Subject:** Revised Neighborhood Stabilization Program Homebuyer Assistance  
(NSP Homebuyer Assistance)

**Bulletin #:** 2009 – 4

Effective immediately, NSP Homebuyer Assistance guidelines are as follows.

NSP Homebuyer Assistance provides 20% of the purchase price up to a maximum of \$40,000 in assistance to income eligible homebuyers purchasing qualified foreclosed properties located in certain designated neighborhoods impacted by the foreclosure crisis. Program requirements and funding are made available through the federal Housing and Economic Recovery Act of 2008 (HERA), Neighborhood Stabilization Program. Rhode Island's allocation totals \$19.6 million of Neighborhood Stabilization Program federal funding. \$2.89 million of these funds are earmarked for homebuyer assistance.

NSP Homebuyer Assistance (NSPHA) funds are available to eligible homebuyers obtaining financing through our FirstHomes program or other equivalent financing approved by Rhode Island Housing. Adjustable rate mortgages do not qualify as other equivalent financing.

Program details are as follows.

### **Eligible Use:**

- To purchase and occupy, or purchase-rehab and occupy foreclosed residential properties located in NSP designated areas in certain census tracts in Providence, Pawtucket, Cranston, Woonsocket, Central Falls, Johnston, Warwick, West Warwick, North Providence, East Providence and Cumberland. Visit <http://www.rhodeislandhousing.org/sp.cfm?pageid=732> to insure that a property is located in a NSP census tract. Visit [www.census.gov](http://www.census.gov) for census tract information.

**NSPHA Assistance:**

- 20% of the purchase price up to a maximum of \$40,000 in assistance is available to the borrower(s) in the form of a deferred-payment subordinate lien at an interest-rate equal to Rhode Island Housing's FirstHomes top tier interest rate.
- The first \$15,000 of this deferred-payment subordinate lien is forgiven after 5 years of owner occupancy. If the property is sold, transferred or no longer owner occupied during the first five years of the mortgage, the lien, principal and accrued interest, is due and payable. Beginning with the 5<sup>th</sup> anniversary or year 6 of the loan, the remaining funds, funds in excess of \$15,000 up to the maximum of \$40,000, are forgiven at 20% per year. If the property is sold, transferred or no longer owner occupied during year 6 through year 10, the remaining lien above the initial \$15,000, principal and accrued interest, are due and payable.
- NSP Homebuyer Assistance funds can be used in conjunction with a FirstHomes mortgage or with other equivalent financing programs approved by Rhode Island Housing.
- Borrowers obtaining financing outside of Rhode Island Housing's FirstHomes program must meet with a Rhode Island Housing HelpCenter counselor prior to obtaining NSP Homebuyer Assistance funds. The HelpCenter is located at 44 Washington Street, Providence, Rhode Island. Appointments can be made by calling 401 457-1130.

**Eligible Properties:**

- One-to four-family foreclosed properties located in NSP designated areas. Condominiums do not qualify for this assistance.
- Home inspections are required on FirstHomes mortgages and non Rhode Island Housing mortgages.
- NSP eligible properties must be purchased at a **minimum of 1%, one percent**, below the fair market value of the property.
  - Fair market value is determined by an industry standard, Fannie Mae/Freddie Mac, residential appraisal completed by a Rhode Island licensed appraiser.
  - The residential appraisal used as part of the lending process will be used to determine the fair market value and to qualify the property.
- NSP eligible properties must meet federal lead conformance requirements.
  - Lead conformance inspections can be ordered when reserving NSPHA funds by calling Tammy Fisher, Rhode Island Housing's Homeownership Division, 401 457-1245, [tfisher@rhodeislandhousing.org](mailto:tfisher@rhodeislandhousing.org). These inspections will be provided at no cost to the applicant.

- Lead abatement funds are available for properties that do not meet federal lead conformance requirements.
- The property must comply with Housing Maintenance and Occupancy Code (RIGL Chapter 45-24.3) and State Minimum Housing Building Code (RIGL45-24.2) and HUD’s Housing Quality Standards (HQS). Visit [www.HUD.gov](http://www.HUD.gov) for more information.
- Rehabilitation funds for properties needing \$5,000 or more of rehabilitation can be obtained through a 203(k) program or through our FirstHomes 100+ (FirstHomes 203K program).

**Borrower Eligibility:**

- Borrowers must complete a minimum of 8 hours of homebuyer education conducted by the Housing Network of Rhode Island. In addition, specialized training on purchasing foreclosed properties is encouraged and available through the Housing Network of Rhode Island. The required 8 hours of homebuyer education must be completed prior to the mortgage closing. Class reservations can be made by calling the Housing Network of Rhode Island at 401-521-1461.
- Borrowers purchasing 2-4 family properties will also have to complete Landlord Tenant homebuyer education classes provided by the Housing Network of Rhode Island. Reservations can be made by calling the Housing Network of Rhode Island at 401-521-1461.
- In addition to the federal requirements, eligible borrowers seeking financing through our FirstHomes program must meet all FirstHomes eligibility criteria. However, it is important to note that the NSP program income limits differ from our FirstHomes income limits. The NSP program takes into consideration the income of all adult household members to determine income eligibility. This includes income from all adults living in the home over the age of 18 and not a full-time student.

**FirstHomes Income Limit**

Family Size	Income Limit
1	\$ 61,440
2	\$ 70,200
3	\$ 78,960
4	\$ 87,840
5	\$ 94,800
6	\$101,880
7	\$102,400- capped at FirstHomes limit
8	\$102,400- capped at FirstHomes limit

**FirstHomes Purchase Price Limits** - State-wide and targeted area limit.

1 - 4 family - \$415,000

- Borrowers seeking financing through a non-Rhode Island Housing program will be required to seek counseling from Rhode Island Housing's HelpCenter prior to closing to ensure that the borrower is getting a safe mortgage that they can afford.
  - Appointments can be made by calling the HelpCenter at 401-457-1130.
- Eligible households seeking financing through a non Rhode Island Housing Program must have household income at or below 120% of area median income. Eligible households seeking financing through a non Rhode Island Housing Program do not have to be first-time homebuyers.

**Income limits for non Rhode Island Housing loans:**

Family Size	Income Limit
1	\$61,440
2	\$70,200
3	\$78,960
4	\$87,840
5	\$94,800
6	\$101,880
7	\$108,840
8	\$115,920

**Purchase Price Limits**

There is no purchase price limit for non-Rhode Island Housing loans.

**Documentation:**

- NSP Homebuyer Assistance will be evidenced by the NSPHA note, mortgage and TIL documents drawn in the name of Rhode Island Housing and Mortgage Finance Corporation. Rhode Island Housing will prepare all NSP closing documents. 48 hours notice is required. Request should be sent to Diane Kopij-Danforth at [kopij-danforth@rhodeislandhousing.org](mailto:kopij-danforth@rhodeislandhousing.org), 401 457-1118 or Karen Henault at [khenault@rhodeislandhousing.org](mailto:khenault@rhodeislandhousing.org), 401 457-1296.

**Reservation of NSP Funds:**

- Contact Tammy Fisher at 401 457-1245, [tfisher@rhodeislandhousing.org](mailto:tfisher@rhodeislandhousing.org) to receive a NSPHA log number and order a lead conformance inspection.
- The NSPHA log number is required prior to locking a FirstHomes application.

- FirstHomes mortgages will receive confirmation of NSPHA funds when the loan is reviewed for underwriting.

### **Commitment of NSP Funds**

Loans originated outside of Rhode Island Housing's FirstHomes program will need to be sent to Lori DeGregorio, Quality Control Manager, Homeownership Division, at 44 Washington Street, Providence, Rhode Island 02903 for NSPHA approval. The review package must include the purchase and sales agreement, completed underwriting transmittal (1008), completed mortgage application executed by the applicants (1003), 3 years most recent tax returns with W-2 statements, most recent pay stubs covering a 30 day period, the Uniform Residential Appraisal Report (Fannie Mae 1004), the home inspection report and an executed Borrower(s) Certification and Authorization form. Prior to funding the NSP assistance, the lender will be required to provide copies of the applicant's homebuyer education certificate and the Rhode Island Housing HelpCenter counseling certificate, the lead conformance certificate and certify that the property complies with Housing Maintenance and Occupancy Code (RIGL Chapter 45-24.3) and State Minimum Housing Building Code (RIGL45-24.2) and HUD's Housing Quality Standards (HQS). Visit [www.HUD.gov](http://www.HUD.gov) for more information and any other outstanding documentation required by Rhode Island Housing. Refer to NSP underwriting checklist for more details.

- FirstHomes mortgages with NSPHA funds will be funded in the same manner as our standard Extra Assistance.
- NSPHA funds on non-Rhode Island Housing FirstHomes mortgages must be ordered by contacting Diane Kopij-Danforth at [kopij-danforth@rhodeislandhousing.org](mailto:kopij-danforth@rhodeislandhousing.org), 401 457-1118 or Karen Henault at [khenault@rhodeislandhousing.org](mailto:khenault@rhodeislandhousing.org), 401 457-1296. Forty-eight (48 hours) notice prior to closing is required. Funds will be wired directly to the closing attorney.

### **For more information contact:**

Karen Henault, 401 457-1296, [khenault@rhodeislandhousing.org](mailto:khenault@rhodeislandhousing.org),  
Lori DeGregorio, 401 457-1186, [ldgregorio@rhodeislandhousing.org](mailto:ldgregorio@rhodeislandhousing.org)  
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