



Neighborhood Stabilization Program Homebuyer Assistance
Informational Guide
July 2, 2009

Background

On January 7, 2009, Rhode Island Housing in partnership with the Department of Administration Office of Housing and Community Development announced the availability of Neighborhood Stabilization Program Homebuyer Assistance (NSP Homebuyer Assistance). This informational guide takes effect immediately.

NSP Homebuyer Assistance provides up to 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 properties must be purchased at a minimum of 1 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 of the property.

This informational guide details the NSP Homebuyer Assistance program process and requirements.

1. Property Type and Purpose

NSP funds provide assistance to homebuyers who purchase and occupy, or purchase-rehab and occupy a one- to four-family residential foreclosed property in NSP-designated areas. Condominiums do not qualify for this assistance.

2. Property is located in a NSP-designated area

Visit <http://www.rhodeislandhousing.org/sp.cfm?pageid=732> to ensure that the property is 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 www.census.gov for census tract information.

3. Income Eligibility

Homebuyer's income must fall within NSP Homebuyer Assistance limits.

Family Size	Maximum Income Limits*
1	\$61,440
2	\$70,200
3	\$78,960
4	\$87,840
5	\$94,800
6	\$101,880
7	\$102,400 if using FirstHomes financing otherwise \$108,840
8	\$102,400 if using FirstHomes financing otherwise \$115,920

*The NSP program considers the income of all adult household members for eligibility. This includes income from all adults living in the home who are over the age of 18 and are not a full-time student.

Purchase Price Limits - FirstHomes State-wide and targeted area limit.
1 - 4 family properties - \$415,000

Non- Rhode Island Housing loans have no purchase price limit.

4. Reservation of Funds

Contact Tammy Fisher at 401 457-1245, tfisher@rhodeislandhousing.org or fax 401 457-1137, to receive a NSP Homebuyer Assistance log number. If the NSP homebuyer is obtaining a FirstHomes mortgage, the log number is required prior to locking the FirstHomes application. If the homebuyer is obtaining financing outside of Rhode Island Housing, the NSP log number will be required when the loan is submitted to Rhode Island Housing for NSP approval. A copy of the executed Purchase and Sales Agreement with contact information is required. Rhode Island Housing will provide lender with written confirmation of NSP reservation.

5. Financing Approval

NSP funds are available to eligible homebuyers obtaining financing through Rhode Island Housing's FirstHomes program or other equivalent financing approved by Rhode Island Housing. Adjustable rate mortgages and Streamlined 203(k) mortgages do not qualify as acceptable financing. Homebuyers obtaining financing outside of Rhode Island Housing 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, 02903. Appointments can be made by calling the HelpCenter at 401 457-1130.

6. Appraisal

To qualify for NSP Homebuyer Assistance, the property 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 appraisal.** The lender must obtain an industry standard, Fannie Mae/Freddie Mac, residential appraisal on the property evidencing that the property is being purchased at a minimum of 1 percent below the fair market value of the property.

If a property is being financed through a purchase rehab mortgage, the initial appraisal must reflect the “as is” value of the property to support the 1 percent discount requirement. If the property is being financed through Rhode Island Housing’s FirstHomes 100+ (203(k)) program, an “as completed” appraisal will also be required.

7. Home Inspection Reports and Code Compliance

Home inspection reports are required on all properties. In addition, since this is a federally funded program, 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 for more information.

If repairs are needed for code compliance, all work must be completed prior to closing unless the homebuyer is seeking financing through a 203(k) program.

8. Visual Lead Assessment Inspections

Since the NSP Homebuyer Assistance is a federally-funded program, a visual lead assessment for deteriorated paint must be conducted by a Rhode Island Housing lead inspector. This inspection can be ordered by contacting Tammy Fisher at 401 457-1245, tfisher@rhodeislandhousing.org. There is no fee for this inspection. If no deteriorated paint is identified then no further action is required.

If deteriorated paint has been identified through the Visual Lead Assessment Inspection, it must be corrected and then a post work clearance inspection must be conducted by a third party Rhode Island certified lead inspector. This inspection involves a visual assessment, collection of dust samples through wipes and laboratory analysis. Upon satisfactory review and testing, a lead conformance certificate must be obtained.

Rhode Island Housing will order the lead conformance inspection when all of the corrected work is completed. There is no cost for this inspection. To order a post work clearance inspection contact Tammy Fisher at 401 457-1245, tfisher@rhodeislandhousing.org.

If the homebuyer is using a Rhode Island Housing FirstHomes 100+ (FirstHomes 203(k)) purchase rehab program to complete the required work, the lead visual and dust wipe clearance inspection can be ordered after the mortgage closing when the work is completed. Prior to the final 203(k) advance, a satisfactory lead visual and dust wipe clearance inspection must be obtained as noted above.

If a homebuyer is using a non-Rhode Island Housing 203(k) purchase rehab program, the lender must execute an agreement that states prior to the final advance, the HUD 203(k) consultant will certify that the property meets all the requirements noted in items #7 and #8 of this guide.

9. Homebuyer Education Classes

Homebuyers must complete a minimum of 8 hours of homebuyer education conducted by 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. Homebuyers purchasing two- to four-family properties must also complete a Landlord Tenant homebuyer education class offered through The Housing Network of Rhode Island.

10. Written Commitment of NSP Funds

Prior to closing, loans originated outside of Rhode Island Housing's FirstHomes program will need to be sent to Lori DeGregorio, Quality Control Manager, Homeownership Division, 44 Washington Street, Providence, Rhode Island 02903 for NSP Homebuyer Assistance approval.

The review package must include copies of:

- the executed Purchase and Sales Agreement
 - copy of the lender's commitment letter
 - completed underwriting transmittal (1008)
 - completed mortgage application (1003) executed by the applicants
 - 3 most recent tax returns with W-2 statements*
 - most recent pay stubs covering a 30-day period*
- *Since this information will be used to document household income, it must be included on all adult household members over the age of 18 and not a full-time student whether or not they are on the loan.
- the Uniform Residential Appraisal Report (Fannie Mae 1004)
 - a home inspection report
 - an executed Borrower(s) Certification and Authorization form

Prior to funding the NSP assistance, the lender will be required to provide Rhode Island Housing copies of the applicant's homebuyer education certificate issued by The Housing Network of Rhode Island and the Landlord Tenant class certificate if the property is a 2-4 unit property. In addition, the lender will need to provide copies of the visual lead inspection, the subsequent lead conformance certificate, evidence that the property complies with Housing Maintenance and Occupancy Code (RIGL Chapter 45-24.3), State Minimum Housing Building Code (45-24.2), HUD's Housing Quality Standards (HQS) as noted in item #7, and any other outstanding documentation required by Rhode Island Housing.

Written Commitment of NSP funds for Rhode Island Housing mortgages

FirstHomes mortgages will receive confirmation of NSP Homebuyer Assistance funds when the participating lender submits the loan to Rhode Island Housing for underwriting review. The loan must meet the NSP Homebuyer Assistance federal requirements and FirstHomes eligibility criteria.

11. NSP Homebuyer Assistance and Closing Documents

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 5th anniversary of the loan (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 funds above the initial \$15,000, principal and accrued interest, are due and payable.

Rhode Island Housing will prepare the NSP Homebuyer Assistance closing documents. FirstHomes mortgages with NSP Homebuyer Assistance funds will be funded in the same manner as our standard Extra Assistance.

NSP Homebuyer Assistance on non-Rhode Island Housing FirstHomes mortgages must be ordered by contacting Diane Kopij-Danforth, 401 457-1118, kopij-danforth@rhodeislandhousing.org or Karen Henault, 401 457-1296, khenault@rhodeislandhousing.org, 48 hours prior to closing. Funds will be wired directly to the closing attorney. We will need the closing attorney's contact information and wiring instructions.

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For more information, contact one of the following Rhode Island Housing Homeownership employees:

Karen Henault, 401 457-1296, khenault@rhodeislandhousing.org
Elaine Hebert, 401 450-1384, chebert@rhodeislandhousing.org
Lori Degregorio, 401 457-1186, ldegregorio@rhodeislandhousing.org
Cathleen Paniccia, 401 457-1226, cpaniccia@rhodeislandhousing.org.