

**Lender Underwriting Guidelines and Policies
 Neighborhood Stabilization Program
 City of Springfield**



Type of Loan: Second Mortgage – no exceptions.

Secured: Yes, subordinated to the first mortgage.

Rate: 0%

Term: Due upon sale, transfer of title or refinance of first mortgage. Must be borrower’s principal residence. On a case-by-case basis, the City of Springfield may provide exceptions.

Shared Appreciation: None

Assistance: Up to \$35,000 for down payment assistance, mortgage reduction, closing costs, and/or pre-pays. No more than 20% of acquisition cost may be used for down payment. NSP funds for the purpose of paying customary and usual closing costs may be in addition to the maximum allowable down payment assistance provided the cumulative cost of all NSP financial assistance does not exceed the maximum NSP assistance determined by the table below. The amount of NSP financial assistance provided to any borrower shall be for the sole purpose of ensuring affordability to the borrower. In no case may NSP financial assistance unduly enrich any borrower or any party to such a transaction.

Maximum total NSP assistance will be based on the following income schedule:

% of Area Median Income	50% or less	51% - 60%	61% - 80%	80% - 100%	101% - 120%
Maximum NSP Assistance	\$35,000	\$30,000	\$25,000	\$20,000	\$10,000

Additional Assistance: Down payment assistance programs and products and gifts are acceptable forms of assistance.

Purchase Price Limits: All properties must be purchased at a minimum discount of 1.0% below current appraised market value. Real Estate Owned (REO) Lender must be notified that property is being purchased with Neighborhood Stabilization Program (NSP) funds.

Compliance Statement: Mortgage loans must be obtained from a lender who agrees to comply with regulator’s guidance for non-traditional mortgages as noted in the Statement on Subprime Mortgage Lending issued by the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve Systems, Federal Deposit Insurance Corporation, Department of the Treasury and National Credit Union

Administration at the following link:
www.fdic.gov/regulations/laws/rules/5000-5160.html. A signed Certification Statement of Compliance with this requirement must be maintained in the borrower's loan file.

Appraisals: Must be done by a licensed appraiser and be consistent with the Uniform Standards of Professional Appraisal Practice. Must conform to the appraisal requirements of the Uniform Relocation Act (URA) at 49 CFR 24.103 and completed within 60 days prior to a final offer.

Borrower Contribution: Borrower must contribute at least 50% of first mortgage lender's required down payment requirement. Borrower required contribution for the down payment may never be less than \$1,000 or 1% of the purchase price whichever is greater. Gift funds are a permitted source of cash to meet this minimum down payment threshold.

Occupancy: Owner occupied

Lenders First Mortgage: Up to a 30-year term. Fixed interest rate only. Additional change consideration will be given for Habitat for Humanity and USDA rural loans.

Ineligible loan types: No refinances, ARM's, Interest-Only, or Hybrids. No Combo or Second (2nd) mortgages with variable interest rates and no sub-prime loans will be allowed.

Ratios: Maximum debt-to-income ratio cannot exceed 45%.

Income: Total household income must not exceed 120% of the HUD median income, adjusted for family size and location.

Assets: May not exceed \$15,000 in liquid assets after closing. Retirement accounts excluded. (On a case-by-case basis Certificate of Deposit, Money Market or other savings accounts may be excluded.)

Education: Prior to closing, Borrower must receive and complete at least 6 hours of homebuyer counseling from a HUD-approved or OHCS approved agency; such as ABC's of Homebuying or Realizing the American Dream. Certification of completion will be required.

Eligible Geographic Areas: NSP targeted areas within the corporate city limits of Springfield.

Credit: Borrower(s) must comply with credit standards acceptable to first mortgage holder.

Eligible Properties: Foreclosed upon Single Family Residence (SFR), condominium (including townhomes), SFR's in a Planned Unit Development (PUD), and FHA approved manufactured homes. Manufactured homes must be de-titled and permanently affixed to real property.

Foreclosed upon refers to a property that under state or local law, the mortgage or tax foreclosure is complete; title for the property has been transferred from the former homeowner.

Ineligible Properties: Multi-family, investment and second homes.

Inspections: Lead Based Paint (LBP) Visual Assessment (**pre 1978 houses only**); Housing Quality Standards (HQS); Pest and Dry Rot inspection(s), Environmental review including flood plain certification, and any inspections required by the first mortgage loan or as outlined in the EMA/Sales Agreement. These inspections and/or reports **must** be completed prior to loan closing.

Environmental Review: U.S. Housing and Urban Development (HUD) environmental review must be completed and proper documentation included in the file before **any** funds (including non-NSP funds associated with the activity) are released.

Rehabilitation: A foreclosed-upon home or residential property shall be rehabilitated to the extent necessary to assure safety, quality, and habitability. The City of Springfield will require a thorough assessment of all properties. The assessment must examine the major building components and describe the work necessary to bring each building component to the level of maximum expected life span. HUD's Housing Quality Standards (HQS) outlined in 24 CFR 982.401 will be the minimum standard for judging the actual physical condition of a property and determining the scope of work.

Rehabilitation of a residential property must be performed in compliance with applicable laws, codes, and other requirements relating to housing safety, quality, and habitability. If work requires building permits, all rehabilitation must be performed to current building code(s). A property inspection must be conducted by a disinterested third party to determine the scope of work needed prior to rehabilitation. The factors to be considered in the inspection include HQS (Form NSP#8 – HQS Inspection Report), a pest and dry rot report, roof inspection if deemed appropriate, and a site specific review of environmental concerns including lead-based paint assessment if the property was built prior to 1978.

General property improvements, such as painting and replacement of cabinets and flooring may be completed only after all code deficiencies, health and safety items and lead-based paint hazards (if needed) have been cured. General improvements must have durable fit and finish with reasonable cost expectations.

All NSP recipients are encouraged to use green building techniques and make all NSP assisted properties more energy efficient. Providing visitability features which promote aging in place may also be considered.

Escrow Holdback: Escrow Holdback may be permitted on a case-by-case basis. Whenever possible, repairs should be completed **prior** to closing.

Upon completion of all work and approval of the City of Springfield all funds from the holdback will be disbursed. All work will be completed no more than 90 days after closing. Extensions may be granted on a case-by-case basis. Following completion, property must pass a final compliance inspection and HQS re-inspection if previously failed.

- Assumable:** No
- CLTV:** Maximum allowable by first mortgage lender.
- Impounds:** Not required.
- Mortgage Insurance:** Not required.
- Seller contributions:** Allowed
- Loan Fees:** There are no NSP loan fees.
- Prepayment penalties:** None – See requirements under Term.
- Maintenance and Repair:** The property must be kept in good repair and maintained in good, safe condition, suitable for residential use. The condition of the property must meet the requirements of all the laws, ordinances, rules, and regulations of any government authority with the right to examine or inspect the property.
- Contact:** Kevin Ko, Housing Programs Specialist
City of Springfield
225 Fifth Street
Springfield, OR 97477
(541) 726-2302