

**1st HOME DOWN PAYMENT
& CLOSING COST ASSISTANCE
2021**

**Program Master Manual
For St. Louis County HOME Consortium Members**

St. Louis County
City of Florissant
Jefferson County
St. Charles County
City of O'Fallon

Through
St. Louis County
Office of Community Development

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INTRODUCTION

The 1st HOME Down Payment Assistance (DPA) Program provides down payment and closing cost assistance to income-eligible first-time homebuyers* purchasing their first home in one of the member jurisdictions of the St. Louis County HOME Consortium (“the Consortium”). Current members participating in this program are St. Louis County, City of Florissant, Jefferson County, St. Charles County and City of O’Fallon (“Member”).

In an effort to significantly increase the ability of low- and moderate-income first-time homebuyers to purchase a home, the Consortium, through the St. Louis County Office of Community Development, makes zero-interest loans available to these homebuyers to assist with the down payment and eligible closing costs associated with acquiring qualified owner-occupied residences. To qualify, homebuyers must provide at least **\$1,000** of their own funds toward the down payment and/or closing costs (including funds paid outside of closing). Borrowers will be required to execute a Note and recorded Deed of Trust to secure the Second Mortgage Loan.

The Second Mortgage Loan is a five-year forgivable loan for all jurisdictions; however, these loans must be repaid if the property is sold, leased, or vacated in less than five years. Second Mortgage Loans may be prepaid at any time without penalty.

****Purchasers in St. Charles County and the City of O’Fallon need not be first-time homebuyers.***

CONTACT FOR QUESTIONS

Participating Homebuyer Counseling Agencies may contact the following with questions about the program:

Amy Ellis, Director
St. Louis County Office of Community Development
500 Northwest Plaza Drive, Suite 801
St. Ann, MO 63074
(314) 615-4592
aellis@stlouiscountymo.gov

SECTION 1
HOMEBUYER COUNSELING AGENCY
ELIGIBILITY REQUIREMENTS

1. All Homebuyer Counseling Agencies must meet the following requirements:
 - a. The Homebuyer Counseling Agency must be a HUD-approved housing counseling agency and have the Secondary Financing: Nonprofit as an Administrator of a Government Program certification from the U.S. Department of Housing and Urban Development (HUD).
 - b. The Homebuyer Counseling Agency must be a not-for-profit corporation and hold a 501(c)(3) determination letter.
 - c. The Homebuyer Counseling Agency must have a minimum of three (3) years of experience in the procurement and counseling of clients for the purchase of a home.
 - d. The Homebuyer Counseling Agency must have qualified and experienced staff appropriate to its client load. As of August 1, 2020, housing counseling required under or provided in connection with HUD programs must be provided only by **certified housing counselors** who work for organizations approved to participate in HUD's Housing Counseling Program. In order to be certified, an individual must both pass a standardized written examination covering six major topic areas, and work for an agency approved to participate in HUD's housing counseling program.
 - e. The Homebuyer Counseling Agency must maintain a minimum of \$500,000 in liability insurance and indemnify St. Louis County against any and all future claims.
 - f. The Homebuyer Counseling Agency must maintain a minimum of \$50,000 in a line of credit or fund balances.
 - g. The Homebuyer Counseling Agency must report on their methods of outreach to residents and tenants of public and manufactured housing and to other families assisted by public housing agencies on quarterly report forms.
 - h. The Homebuyer Counseling Agency must offer training, counseling, and closing within the Member counties they serve. If a client elects to attend counseling, education, or close at a title company outside of the property's county, then documentation in the form of a signed statement from the homebuyer must be included in the file.
 - i. The Homebuyer Counseling Agency must offer post-counseling services to all participants of the program.
 - j. The Homebuyer Counseling Agency must report to St. Louis County Office of Community Development quarterly using the HUD Certified Counseling report or other acceptable method.
2. Homebuyer Counseling Agencies must sign an affidavit attesting that they meet the above requirements.

3. Homebuyer Counseling Agencies must deliver the HUD-approved 8-hour housing counseling, including a one-on-one counseling session, to all homebuyers. In addition to the HUD program, the Homebuyer Counseling Agencies should deliver the *Saving Money by Saving Energy* curriculum as provided by the St. Louis County Office of Community Development.
4. **The Consortium, through St. Louis County Office of Community Development, reserves the right to reject any or all requests from homebuyer counseling agencies for participation in this program.**

SECTION 2 PROGRAM LOAN TERMS & CONDITIONS

All agencies will be responsible for funding and closing any Second Mortgage Loans they reserve; however, a closing agent such as a reputable title company or escrow closing company must be used. A representative of the Homebuyer Counseling Agency must be present at the closing of the first mortgage to act as an advocate for the buyer(s).

SECOND MORTGAGE LOAN REQUIREMENTS:

1. This is a first-come, first-served Second Mortgage Loan program administered by Participating Homebuyer Counseling Agencies.
2. Reservation forms must be submitted by the Homebuyer Counseling Agency to the appropriate Member with the client's name, address and closing date. Homebuyer Counseling Agencies must promptly notify Member of any changes to the reservation; agencies must also notify Member once the client has closed on their property. **All reservations will expire 60 days after approval by the Member.**
 - ***Please note that Homebuyer Counseling Agencies may not switch reservations between clients. If a client is unable to close on their property for any reason, the Homebuyer Counseling Agency must cancel their reservation with the Member and submit a new reservation form for any new client(s).***
3. Homebuyers must provide at a **minimum** \$1,000 of their own funds toward the down payment and/or closing costs (including funds paid outside of closing) to be eligible for down payment assistance. Eligible costs include:
 - a. Homebuyer counseling course;
 - b. Residential appraisal;
 - c. Home inspection;
 - d. Deposit/earnest money; and/or
 - e. Cash brought to closing.
4. Second Mortgage Loans may be used for down payment assistance and eligible closing costs associated with the purchase of the home.

5. Eligible applicants may borrow up to:

St. Louis County	\$3,000
Florissant	\$3,500
Jefferson County	\$5,000
St. Charles County	\$10,000
O'Fallon	\$10,000

6. The interest rate is zero percent (0%).
7. The Second Mortgage Loan will be secured by a Note and Deed of Trust creating a second lien on the residence.

8. The Second Mortgage Loan term is a five-year forgivable loan for all jurisdictions; however, these loans must be repaid if the property is sold, leased, or vacated in less than five years.
9. Second Mortgage Loans are not assumable. All loans are due upon sale, lease, transfer, or other disposition of the property (including any involuntary transfer by or as a result of foreclosure or judicial sale or operation of law), refinance, or satisfaction of the first mortgage loan.
10. Buyer loan ratios cannot exceed 36% front-end limit and 42% back-end limit, including PITI as well as condo and/or HOA fees and dues
11. Standard hazard insurance must be for the amount of the Second Mortgage Loan as well as the Primary Loan, and Member must be included as an insured second mortgage.
12. The mortgage title insurance policy must include the Second Mortgage Loan as a valid lien against the property subordinate only to the Primary Loan. Member must be included as an additional insured on the title insurance policy.
13. Underwriting of the Second Mortgage Loan must meet the requirements of the Primary Loan.
14. The Second Mortgage Loan must meet Federal Truth-in-Lending Disclosure requirements and any other applicable state and federal lending regulations.
15. The Second Mortgage Loan may be subordinated to any new or additional debt, including the refinance of the Primary Loan, within the policy instituted by the HOME Consortium member (please see the website for specifics). Subordination requests will be accepted by the St. Louis County Office of Community Development for Second Mortgage Loans in St. Louis County, City of Florissant, St. Charles County and O'Fallon; subordination requests will **NOT** be accepted for Second Mortgage Loans in Jefferson County. **In lieu of a subordination request, please contact the St. Louis County Office of Community Development to receive a payoff statement.**

Use of Second Mortgage Loan Proceeds

Funds may be used for the following purposes:

- Down payment; and/or
- Closing costs.

****Please note that there is no "cash back" to the borrower. To the extent that funds advanced by the borrower plus the first and second mortgage amounts exceed amounts required at closing, lender will reduce the first mortgage principal at closing. Any funds advanced by the borrower must be documented.***

Allowable Fees

Participating Homebuyer Counseling Agencies should ensure the homebuyers are not paying excessive closing costs. Only recording and *reasonable* title fees may be charged for the Second Mortgage Loan.

Hazard Insurance

Standard hazard insurance must be for the amount of the Second Mortgage Loan as well as the Primary Loan, and Member must be included as an insured second mortgagee:

St. Louis County / Florissant /Jefferson County / or etc.
c/o "HOMEBUYER COUNSELING AGENCY"
"AGENCY ADDRESS"
"ST. LOUIS, MO ZIP"

Title Insurance

The mortgage title insurance policy must include the Second Mortgage Loan as a valid lien against the property subordinate only to the Primary Loan. The lien holder name and address is the same as the second mortgagee above. The Member must be included as an additional insured for the amount of assistance provided.

FIRST MORTGAGE LOAN REQUIREMENTS:

In addition to the terms and conditions provided below, Participating Homebuyer Counseling Agencies will make every effort to provide favorable and affordable terms to borrowers*. The home mortgage (Primary Loan):

1. Must be held in fee simple title.
2. Must be fully documented and underwritten in accordance with prudent industry standards by a Federal National Mortgage Association (FNMA), Freddie Mac approved program, Federal Housing Administration (FHA) or Veterans Affairs (VA) program, Missouri Housing Development Commission (MHDC) program, or **approved** lender portfolio program.
3. Must be for the purpose of purchasing the residence and not for the purpose of refinancing or replacing any existing loan on any such property (other than a construction loan or similar temporary financing.)
4. Term must be at least 10 years; no negative amortization.
5. Annual Percentage Rate (APR) must be in accordance with prudent industry standards and within the same range as on other primary loans offered by Participating Homebuyer Counseling Agency lenders.
6. Total of all origination charges may not exceed 2% of the purchase price regardless of whether paid by buyer or seller.
7. Points may be purchased by the seller only. Please note that points purchased by the seller are included in the total origination charges, which may not exceed 2% of the purchase price.
8. Combined Loan to Value may not exceed 105% for any primary loan. St. Louis County has set a maximum combined loan to value of 105% subject to FNMA, Freddie Mac, FHA, VA, MHDC or portfolio loan guidelines to the contrary.
9. Be secured by a mortgage creating a first lien on a residence which is located in St. Louis County, Jefferson County or St. Charles County within the Member's jurisdiction.
10. Underwriting standards applicable to the Primary Loan shall apply except that the sum of all financings cannot exceed 105% of the combined loan to value subject to the guidelines of the Primary Loan.

****Please note that cash-only transactions may be eligible if the buyer meets all other requirements, including income limits.***

SECTION 3

BORROWER ELIGIBILITY REQUIREMENTS

Income Guidelines

To be eligible for this program, an applicant's annual household income must not exceed 80% of the area median income for the St. Louis MSA as determined by the U.S. Department of Housing and Urban Development (HUD). Current income limits are included in Section 8, Income & Purchase Price Limits. Verification of income, including assets and anticipated income, should be completed using HUD's Income Calculator Part 5 Annual Income:

<http://www.hud.gov/offices/cpd/affordablehousing/training/web/calculator/definitions/index.cfm>.

Please see Section 9, Income Calculation & Documentation, for additional guidance regarding applicant income.

Debt-to-Income Ratio

To be eligible for this program, the applicant may not exceed a front end ratio of 36% and back end ratio of 42%. There are no exceptions to these debt-to-income ratios.

Student Loans

All student loans must be included in the applicant's liabilities, regardless of the payment type or status of payments. HUD has provided the following guidance regarding student loans:

Required Documentation

If the payment used for the monthly obligation is less than the monthly payment reported on the Borrower's credit report, the Mortgagee must obtain written documentation of the actual monthly payment, the payment status, and evidence of the outstanding balance and terms from the creditor or student loan servicer. The Mortgagee may exclude the payment from the Borrower's monthly debt calculation where written documentation from the student loan program, creditor, or student loan servicer indicates that the loan balance has been forgiven, canceled, discharged, or otherwise paid in full.

Calculation of Monthly Obligation

For outstanding Student Loans, regardless of payment status, the Mortgagee must use:

1. the payment amount reported on the credit report or the actual documented payment, when the payment amount is above zero; or
2. 0.5 percent of the outstanding loan balance, when the monthly payment reported on the Borrower's credit report is zero.

Definition of First-Time Homebuyer

To qualify for a Second Mortgage Loan in St. Louis County, the City of Florissant or Jefferson County, the purchaser must meet the definition of a first-time homebuyer. The purchaser does not need to be a first-time homebuyer in St. Charles County or the City of O'Fallon.

For the purposes of this program, a first-time homebuyer is defined as a person:

1. who has not had a present ownership interest (see definition) in a principal residence within the past three years; *and*
2. who has not taken a real estate tax deduction (on IRS Schedule A) for any residence within the past three years; *and*

3. who has not taken a mortgage interest deduction (on IRS Schedule A) for any residence within the past three years.

Exceptions to the rule:

1. A single parent who has only owned a home with a former spouse while married.
2. An individual who is a displaced homemaker and has only owned a home with a spouse.
3. An individual who has only owned a principal residence not permanently affixed to a permanent foundation in accordance with applicable regulations.

Definition of Present and Non-Present Ownership Interest

Applicants who hold or have held one of the following forms of present ownership interest in his or her principal residence within the past three years **would not** be considered a first-time homebuyer.

Present Ownership Interest

1. A fee simple interest.
2. A joint tenancy, tenancy-in-common, tenancy by the entirety, or community property interest.
3. The interest of a tenant-shareholder in a cooperative.

However, this excludes the interest held by an applicant who lives/lived in a HUD-sponsored or regulated cooperative housing project, provided that:

- a. such project is owned by a non-profit corporation,*
 - b. there is no stock issued by the corporation,*
 - c. such persons possess only a membership in the corporation, and*
 - d. such persons occupy a specific unit in the project by virtue of an occupancy agreement or similar agreement which creates a landlord-tenant relationship pursuant to which the landlord may pursue remedies for breach in accordance with the applicable landlord-tenant law.*
4. A life estate.
 5. A land contract or contract for deed (i.e. a contract pursuant to which possession and the benefits and burdens of ownership are transferred even though legal title is not transferred until some later time), whether legally filed or not.
 6. An interest held in trust for the Mortgagor (whether or not created by the Mortgagor) that would constitute a present ownership interest if held directly by the Mortgagor.

Applicants who hold or have held one of the following forms of non-present ownership interest **may** qualify as a first-time homebuyer.

Non-Present Ownership Interest

1. A remainder interest.
2. A lease with or without an option to purchase.
3. A mere expectancy to inherit an interest in a principal residence.
4. The interest that a purchaser of a residence acquires on the execution of a purchase contract.
5. An interest held in property that was not the principal residence during the prior three years.

Persons who are Separated or Legally Separated

Any applicant who is separated is still considered a married person; however, he or she may qualify for a Second Mortgage Loan. The applicant's spouse will be required to sign a waiver of marital rights waiving all rights to the principal residence. **The lender must verify that the separation has been for a period of at least twelve months.**

For mortgages secured by properties in the State of Missouri where a married person is the sole mortgagor, Missouri law outlines the spouse's right to title. To secure an enforceable Deed of Trust, the following applies.

If a married person is the sole mortgagor, his or her spouse **MUST** do one of the following:

1. Sign the Deed of Trust.
2. Waive their marital rights, which must be accomplished by **ALL** of the following:
 - a. Signing an "Assent of Marital Interest" or "Waiver of Marital Rights."
 - b. Referencing the waiver in the Deed of Trust's vesting. The vesting should be worded to this effect: "_____, a married person pursuant to the Assent of Marital Interest dated ___/___/___ and recorded on ___/___/___ as daily number."
 - c. Recording the Waiver of Marital Rights. The Waiver must be recorded in front of the Deed of Trust or the Deed must be re-recorded. The vesting must include the Waiver's recording information.

Applicants Who Own/Owned Rental Property

Applicants who own or have owned rental property may be considered eligible as a first-time homebuyer as long as they can prove the following:

1. They did not live in any of the rental property for which they held ownership interest any time within the last three years.
2. A mortgage interest deduction was not taken as a personal deduction on Schedule A of their federal tax returns.

3. A real estate tax deduction was not taken as a personal deduction on Schedule A of their federal tax returns.

Owner-Occupancy Requirements

Mortgagors must occupy the residence within 60 days of loan-closing and continue to occupy, as long as the Second Mortgage Loan exists, as his or her principal residence.

Mortgagors may NOT rent, sell, assign or transfer the residence as long as the Second Mortgage Loan exists on the property. The following will not be considered to be a principal residence and will not be eligible for Second Mortgage Loan funds:

1. A residence that has more than 15% of the total area reasonably expected or otherwise primarily intended to be used in a trade or business.
2. A residence utilized as an investment property.
3. A residence utilized as a recreational home.

Co-Signers and/or Co-Borrowers

Co-Signers are acceptable if they are acceptable to FHA, VA, Freddie Mac, MHDC, FNMA or approved portfolio lender. However, Borrower must demonstrate ability to maintain mortgage payments without Co-Signer's assistance.

Co-Signers: Must not live in the property.
 Must not take title to the property.

Co-Borrowers: Must live in the property.
 Must be a first-time homebuyer.

One-Time Benefit

Program participation is limited to once in a lifetime, regardless of the fact that a participant may have married or intend to purchase a new home.

SECTION 4

PROPERTY ELIGIBILITY REQUIREMENTS

To qualify for a Second Mortgage Loan, the property to be purchased must meet the following definition:

Residence - real property and improvements thereon consisting of:

1. Single-family detached building.
2. Row house.
3. Townhouse.
4. ½ duplex.
5. Condominium.
6. Any one- to four-family building.

To be owned by the Mortgagor, which:

1. is located within the Member jurisdiction.
2. is an existing residence (currently owner-occupied or vacant for at least 90 days) or a new residence, as applicable.
3. a home mortgage is to be originated.
4. the Mortgagor shall have agreed to reside in as the principal place of residence of the Mortgagor.
5. can reasonably be expected to become the principal residence of the Mortgagor within a reasonable period of time (not to exceed sixty days after the execution of the applicable mortgage).
6. meets the Member adopted International Code Council Property Maintenance Code 2000 or other as prescribed by St. Louis County Public Works Department or Member building code enforcement office.

Flood Plain Requirements

Participating jurisdictions will only approve reservations for properties **outside the 500-year floodplain (Zone X)**. Flood plain zones are as follows:

<u>Zone</u>	<u>Definition</u>
A	Areas of 100 year flood: base flood elevations and flood hazard factors not determined.
AO	Areas of 100 year shallow flooding where depths are between one and three feet; average depths of inundation are shown, but no flood hazard factors are determined.
AH	Areas of 100 year shallow flooding where depths are between one and three feet; base flood elevations are shown, but no flood hazard factors are determined.
A1-30	Areas of 100 year flood, base flood elevation and flood hazard factors determined.
A99	Areas of 100 year flood to be protected by flood protection system under construction; base flood elevation and flood hazard factors not determined.
B	Areas between limits of the 100 year flood and 500 year flood; or certain areas subject to 100 year flooding with average depths less than one foot or where the contributing drainage is less than one square mile; or areas protected by levees from the base flood.
C	Areas of minimal flooding; outside the limits of the 100 year and 500 year flood.
D	Areas of undetermined, but possible flood hazards.
X	Areas of 500 year flood; areas of 100 year flood with average depths of less than one foot or with drainage areas less than 1 square mile; and areas protected by levees from 100 year flood.
X	Areas determined to be outside 500 year flood plain.

Mobile Homes

The residence cannot be a mobile home, which is defined as a home that is transportable in one or more sections built on a permanent chassis.

The exception is a double-wide mobile home that meets ALL of the following criteria:

1. must be placed on a permanent foundation,
2. must be taxed as a single family residential home under the real estate tax rolls, and
3. must be insured as a regular single-family dwelling under sections of the act by HUD/FHA, FmHA, VA or, if the loan is conventional, FNMA eligible.

Properties which have been inherited

An applicant's interest in a residence which has been inherited will not be taken into account. (Unless the applicant has occupied the inherited property within the past three years.)

However, a Mortgagor may not purchase a residence from the estate of a deceased relative, if such Mortgagor is entitled under state law to inherit any interest in such residence upon final disposition of the estate.

Sweat Equity

Sweat equity should be applied to the mortgage following the applicable insurer guidelines (HUD/FHA, VA, or FNMA).

For purposes of determining the total acquisition cost of a residence, any labor performed by the applicant or immediate family (sweat equity) must be deducted.

An applicant may not receive any part of the sweat equity back at closing.

Buyers Paying for Repairs

Buyers may NOT pay more for the property than the appraised value. Therefore, if the contract sales price and the appraised value are the same, the buyer may not pay for any repairs that are required on the appraisal. This includes repairs that are required as a result of an inspection required by the appraiser. An exception is if the buyer is paying less than the appraised value and the repairs plus the sales price do not exceed the appraised value. In such instances, the cost of repairs may not be included in the owner cash contribution.

Third-Party Home Inspections

Since many low-income first-time homebuyers do not have adequate savings to cover the cost of large unexpected repairs, the St. Louis County HOME Consortium requires a third-party home inspection. This is intended to be in addition to the general occupancy permit, which is strictly designed for safe, decent, sanitary housing, to provide our homebuyers with as much information about their home as possible thereby allowing them to make the most informed decision when buying their home.

The third-party inspection should be performed by a licensed ASHI-certified or Inter-NACHI certified business and the expense is eligible under the HOME assistance received at closing. The homebuyer must be present at the time of the inspection. The homebuyer may waive their right to be present at the inspection, but the housing agency must submit a processor's certification explaining the situation. Proof of inspector's certification must be documented by the housing agency.

The housing counseling agency should counsel the homebuyer based on the result of the inspection and include any major repairs in the budgeting and financial planning. The inspection report itself should not prohibit the sale of the property as long as the property meets the basic code requirements, but should be used as a tool to ensure the long-term affordability of the household.

St. Louis County Inspection

All participants purchasing a home in St. Louis County must obtain a *1st Homeowner Inspection* from the St. Louis County Department of Public Works. This inspection will include both an occupancy inspection to ensure the home meets the County's building standards as well as a visual lead inspection. The homebuyer should complete an application for inspection, and once received, the St. Louis County Department of Public Works will reach out to schedule the inspection. To apply:

1. The application can be completed at: <https://aca.stlouisco.com/CitizenAccess/>.
2. A mailed or emailed copy of the application can be requested by calling **314-615-4100** or **314-615-5184, Option 3**.

If the property is located within a municipality, the homebuyer is still required to obtain an occupancy permit from the municipality. Under these circumstances, the County inspection may produce certain redundancies or even conflict with municipal code. Please note that the County ordinance will supersede municipal ordinance when there is a discrepancy.

In the event that a property fails a visual lead inspection, the property will not qualify as eligible for purchase under the St. Louis County 1ST HOME Down Payment Assistance Program. However, the following exceptions exist:

1. The existing owner remediates the issue by scrapping and re-painting applicable surfaces.
2. A third party lead clearance test is conducted.

SECTION 5

LOAN PURCHASING REQUIREMENTS

The following documents must be executed and/or obtained for delivery to the St. Louis County Office of Community Development for approval and constitute the closing package:

- Payment Request Form
- Copy of front & back of check, check register, or verification of wire transfer
- Invoice
- Housing Counseling Certificate
- Homebuyer Set Up and Completion Form
- Loan Commitment
- 1st mortgage lender Closing Disclosure and 2nd mortgage Alta Statement
- Commitment for Title Insurance
 - with “St. Louis County – OCD or Member” named as additional insured
- Evidence of Property Insurance
 - with “St. Louis County – OCD or Member” named as additional insured
- St. Louis County (or other Member) Residential Certificate of Occupancy
- Municipal Certificate of Occupancy, if applicable
- St. Louis County (or other Member) Visual Lead Assessment
- Municipal Visual Lead Assessment, if applicable
- Signed Receipt of EPA *Protect Your Family From Lead In Your Home* pamphlet
- Residential Appraisal Report (first 2 pages only, or first 3 pages only if condominium)
- Third-party inspection report with proof of inspector’s ASHI or InterNACHI certification
- Homebuyer affidavit stating homebuyer was present for inspection
- Fully executed residential sales contract with applicable amendments
- URA Statement*
- Signed Borrower’s Information Form*
- Income Documentation on all household occupants age 18 and over
 - Previous year’s tax return
 - Three (3) full consecutive months of earning documentation
 - Six (6) months of checking account statements
 - Most recent savings account statement
- Signed HUD Income worksheets <https://www.onecpd.info/incomecalculator/>
- Calculation of Debt-to-Income Ratio Form
- Certified Copy of Request for Notice of Sale*
- Signed Original Note*
- Certified Copy of Signed Deed of Trust*
- Signed Resale/Recapture policy statement*
- Subordination Acknowledgement (Jefferson County only)*
- Approved Reservation form with written confirmation to Consortium member on property closing*
- Signed Closing Certification from buyer(s)*

* Forms can be found on the web at:

<https://stlouiscountymo.gov/st-louis-county-departments/human-services/community-development/>

Loan Purchasing Procedures

Documents may be submitted by mail or email. Mailed documents should be Accu-fastened, top to bottom in the order specified on the checklist, into a manila file folder, labelled with the borrower's name and property address.

The loan package must be delivered to the St. Louis County Office of Community Development **no later than 30 days** after the loan closing:

Amy Ellis, Director
St. Louis County Office of Community Development
500 Northwest Plaza Dr., Ste. 801
St. Ann, MO 63074
aellis@stlouiscountymo.gov

If a file is found to be incomplete, a representative of the Agency will receive an email requesting the documentation needed to clear the loan for purchase. An Outstanding Documentation Report will be sent to participating Agencies on a regular basis. Loans will not be purchased until document discrepancies or omissions are resolved. **If missing or corrected documentation is not received within 60 days of notice, the file will be returned to the agency without reimbursement and the deed of trust will be transferred accordingly.**

SECTION 6
RELEASE OF SECOND MORTGAGE LIEN

FORGIVABLE LOANS:

The Second Mortgage Lien will be released upon the occurrence of any of the following:

1. The fifth anniversary date of the original Second Mortgage Loan closing.
2. Payment in full of the outstanding principal of the Second Mortgage Loan.
3. The occurrence of a catastrophic event that results in the borrower's having to sell the property, including but not limited to the following:
 - a. Borrower's death.
 - b. Extended illness of the borrower or a close family member who depends primarily on the borrower for support.

In the case of a catastrophic event, the portion of the existing Second Mortgage Lien that results in a combined loan to value in excess of 100% will be released with no forgiveness of the debt, and the following will be contemporaneously executed:

1. An unsecured promissory note equal to the amount released from the Second Mortgage.
2. A modification agreement that reduces the secured debt of the existing Second Mortgage by the amount of the new unsecured promissory note.

SECTION 7 **POST-PURCHASE COUNSELING REQUIREMENTS**

Participating Homebuyer Counseling Agencies must offer post-purchase counseling services to all participants of the 1st HOME Down Payment Assistance Program. Post-purchase counseling programs may include mailings and workshops, but **MUST** include mortgage delinquency and default resolution counseling.

Participating Homebuyer Counseling Agencies should receive foreclosure notices for any assisted homeowners who may have defaulted on their primary loan. Within three (3) business days of receipt of any such notice the Participating Homebuyer Counseling Agency should attempt to contact the homeowner. Contact may include phone calls and/or letters offering post-purchase counseling support. All attempts should be documented for monitoring purposes.

Reporting Requirements

Participating Homebuyer Counseling Agencies will be required to notify St. Louis County of default on the Primary Loan and on all Tax Delinquencies.

Participating Homebuyer Counseling Agencies will be required to forward on a quarterly basis the **HUD Certified Counseling Report**.

SECTION 8
INCOME & PURCHASE PRICE LIMITS

FY2021 Income Limits Summary

St. Louis, MO-IL HUD Metro FMR Area	1 Person Household	2 Person Household	3 Person Household	4 Person Household	5 Person Household	6 Person Household	7 Person Household	8 Person Household
30% AMI	\$17,850	\$20,400	\$22,950	\$25,450	\$27,500	\$29,550	\$31,600	\$33,600
50% AMI	\$29,750	\$34,000	\$38,250	\$42,450	\$45,850	\$49,250	\$52,650	\$56,050
60% AMI	\$35,700	\$40,800	\$45,900	\$50,940	\$55,020	\$59,100	\$63,180	\$67,260
80% AMI	\$47,550	\$54,350	\$61,150	\$67,900	\$73,350	\$78,800	\$84,200	\$89,650
NSP Only								
100% AMI	\$59,500	\$68,000	\$76,500	\$84,900	\$91,700	\$98,500	\$105,300	\$112,100
120% AMI	\$71,300	\$81,500	\$91,700	\$101,900	\$110,050	\$118,200	\$126,350	\$134,500

**FY2021 Income Limits should be used for closings beginning June 1, 2021.*

FY2021 Maximum Purchase Price Limits

	1-Unit		2-Unit		3-Unit		4-Unit	
	Existing	New	Existing	New	Existing	New	Existing	New
Jefferson County	\$166,000	\$243,000	\$212,000	\$311,000	\$257,000	\$377,000	\$318,000	\$467,000
St. Charles County	\$197,000	\$256,000	\$252,000	\$328,000	\$305,000	\$397,000	\$378,000	\$491,000
St. Louis County	\$166,000	\$243,000	\$212,000	\$311,000	\$257,000	\$377,000	\$318,000	\$467,000

**FY2021 Maximum Purchase Price Limits are effective as of June 1, 2021.*

SECTION 9

INCOME CALCULATION AND DOCUMENTATION

Calculating Income

- All households must meet the income limits (at or below 80% AMI) in order to be eligible for this program.
 - Please refer to **FY2021 Income Limits Summary** on page 21.
- Income should not be grossed up.
- Income must be projected over the next twelve months.
- Income documentation must be submitted for all household occupants age 18 and over:
 - Previous year's tax return.
 - Three (3) full consecutive months of earning documentation.
 - Six (6) months of checking account statements.
 - Most recent savings account statement.
- Pay periods should be used to calculate YTD annual salary.
 - Pay periods are based on the pay date.
- When necessary, please refer to the *Technical Guide for Determining Income and Allowances* for the HOME Program:
<http://www.hud.gov/offices/cpd/affordablehousing/library/modelguides/2005/1780.cfm>.
- Any special circumstances or exceptions should be described in detail in a Processor's Certification to be submitted with the loan package.

Assessing Information

- Determine household size
 - Include:
 - All household residents
 - Child subject to shared custody if in the home 50% of the time
 - Exclude:
 - Foster children/adults
 - Live-in aides
 - Refer to Exhibit 3.1 – 24 CFR Part 5 Annual Income Inclusions and Exclusions on pages 28-29
- Collect income documentation for all household residents (age 18+)
 - Previous year's tax return
 - Paycheck stubs (3 consecutive months)
 - Other source documentation (Social Security, child support, zero income certification, etc.)
 - *Only count the first \$480 for full-time students*
- Determine pay period
 - Weekly, bi-weekly, semi-monthly
- Consider any variations in pay
 - Seasonal work
 - Overtime
 - Raises – the new pay rate after the raise received should be used
 - Bonuses – up to two bonuses can be excluded
- Assets
 - Include the income earned, not the value of the asset (if applicable)
 - Refer to pages 24-25
- Timing
 - Must qualify at the time HOME funds are invested

Examples

1. Smith Household

- Household composition: 4
 - Two adults and two children (ages 6 and 8)
- Sources of Income:
 - Mr. Smith works 40 hours/week at \$15.00/hour. He is paid weekly and his YTD on the 5th pay period is \$3,000.
 - Mrs. Smith does not work outside of the home. She signed an affidavit of zero-income.

40 hours X \$15 X 52 weeks = **\$31,200**

\$3,000 / 5 = \$600 X 52 = **\$31,200**

- **The project annual income is \$31,200**

2. Doe Household

- Household composition: 1
- Sources of income:
 - Ms. Doe works 40 hours/week at \$15.00/hour. Periodically she works overtime at \$22.50/hour. She is paid bi-weekly and her YTD on the 7th pay period is \$8,850.

80 hours X \$15 X 26 weeks = **\$31,200**

\$8,850 / 7 = \$1,264.29 X 26 = **\$32,871.54**

- **The projected annual income is \$32,871.54**

3. Household composition: 3

- One adult & two children (ages 4 and 7)
- Sources of income:
 - Ms. Davis is self-employed. The **net** income from her business is \$2,400 / month (this is documented by her certified income tax return from the previous year and business projections) She also receives \$500/month in child support.

\$2,400 X 12 = \$28,800; \$500 X 12 = \$6,000

\$28,800 + \$6,000 = **\$34,800**

- **The projected annual income is \$34,800**

Calculating Income from Assets

- For **TOTAL** assets of \$5,000 or less, calculate ACTUAL income from assets
- For **TOTAL** assets greater than \$5,000, count the GREATER of actual income vs. imputed income
- Calculating Actual Income
 - Multiply current interest rate by account total, (OR)
 - Review IRS 1099 for interest earned last year (if principal balance and interest rate are currently the same)
 - *See below for checking accounts
- Calculating Imputed Income

- Only necessary when **TOTAL** assets are greater than \$5,000
 - Current passbook rate for imputed calculation is .02 (2%)
 - When calculating imputed income, take cash value of asset (i.e. accommodate for withdrawal and other fees, if applicable)
- Checking Accounts
- Checking accounts are considered an asset, regardless of amount
 - Calculate or request 6-month average to avoid counting monthly income as an asset
 - Calculating Actual Income
 - If the account bears interest, multiply interest rate by 6-month average
 - If the account doesn't bear interest, actual income is \$0.00
 - Calculating Imputed Income
 - Add 6-month average with the cash value of other assets and multiply by current passbook rate of .02 (2%)
 - Only necessary if 6-month average of checking account, **in combination with other assets**, is over \$5,000

*Make sure to include this income in your debt-to-income calculations. The steps above are used to calculate *annual* income from assets, so make sure to divide this amount by 12 on the DTI calculation form.

Examples:

Example – Use Actual Income from Assets When Total Net Family Assets are \$5,000 or Less		
Type of Asset	Cash Value	Actual Yearly Income
<i>Certificate of Deposit</i> \$1,000 withdrawal fee \$50 interest @ 4%	\$950	\$40
<i>Savings Account</i> \$500 interest @ 2.5%	\$500	\$13
<i>Stock</i> \$300 Not paying dividends	\$300	\$0
	<hr/>	<hr/>
Total	\$1,750	\$53

The total cash value of the family's assets is \$1,750. Therefore, the amount that is added to annual income as income from assets is the actual income earned or \$53.

**Example – Determining Income from Assets
When Net Family Assets Exceed \$5,000**

Type of Asset	Cash Value	Actual Yearly Income
<i>Checking Account</i> (non-interest bearing)	\$455	\$0
<i>Savings Account</i> (interest at 2.5%)	\$6,000	\$150
<i>Stocks</i> (not paying dividends this year)	\$3,000	\$0
Total	\$9,455	\$150

Total cash value of assets is greater than \$5,000. Therefore, it is necessary to compare the actual income from assets to the imputed income from assets.

The total cash value of assets (\$9,455) is multiplied by 2% to determine the imputed income from assets.

$$.02 \times \$9,455 = \$189$$

\$189 is greater than the actual income from assets (\$150).

In this case, therefore, the owner will add \$189 to the annual income calculation as income from assets.

Annual Income Inclusions & Exclusions

Chapter Three – Calculating Annual (Gross) Income

Exhibit 3.1 – 24 CFR Part 5 Annual Income Inclusions

<p>1. The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.</p> <p>2. The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight-line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.</p> <p>3. Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in number 2 (above). Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD.</p> <p>4. The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount (except for certain exclusions, listed in Exhibit 3.2, number 14).</p>	<p>5. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay (except for certain exclusions, as listed in Exhibit 3.2, number 3).</p> <p>6. Welfare Assistance. Welfare assistance payments made under the Temporary Assistance for Needy Families (TANF) program are included in annual income:</p> <ul style="list-style-type: none">• Qualify as assistance under the TANF program definition at 45 CFR 260.31; and• Are otherwise excluded from the calculation of annual income per 24 CFR 5.609(c). <p>If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:</p> <ul style="list-style-type: none">• the amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus• the maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is reduced from the standard of need by applying a percentage, the amount calculated under 24 CFR 5.609 shall be the amount resulting from one application of the percentage. <p>7. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling.</p> <p>8. All regular pay, special pay, and allowances of a member of the Armed Forces (except as provided in number 8 of Income Exclusions).</p>
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Last Modified: January 2005

Exhibit 3.2 – 24 CFR Part 5 Annual Income Exclusions

<ol style="list-style-type: none"> 1. Income from employment of children (including foster children) under the age of 18 years. 2. Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone). 3. Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains, and settlement for personal or property losses (except as provided in Exhibit 3.1, number 5 of Income Inclusions). 4. Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member. 5. Income of a live-in aide (as defined in 24 CFR 5.403). 6. Certain increases in income of a disabled member of qualified families residing in HOME-assisted housing or receiving HOME tenant-based rental assistance (24 CFR 5.671(a)). 7. The full amount of student financial assistance paid directly to the student or to the educational institution. 8. The special pay to a family member serving in the Armed Forces who is exposed to hostile fire. 9. (a) Amounts received under training programs funded by HUD. (b) Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS). (c) Amounts received by a participant in other publicly assisted programs that are specifically for, or in reimbursement of, out-of-pocket expenses incurred (special equipment, clothing, transportation, childcare, etc.) and which are made solely to allow participation in a specific program. (d) Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn 	<p>maintenance, resident initiatives coordination, and serving as a member of the PHA's governing board. No resident may receive more than one such stipend during the same period of time.</p> <p>(e) Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment training program.</p> <ol style="list-style-type: none"> 10. Temporary, nonrecurring, or sporadic income (including gifts). 11. Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era. 12. Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household or spouse). 13. Adoption assistance payments in excess of \$480 per adopted child. 14. Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts. 15. Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit. 16. Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home. 17. Amounts specifically excluded by any other Federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the Federal Register and distributed to housing owners identifying the benefits that qualify for this exclusion.
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**All loan related documents can be
found on our website at:**

<https://stlouiscountymo.gov/st-louis-county-departments/human-services/community-development/>

Most are fillable forms.