



UNDERSTANDING

THE

DOWN PAYMENT ASSISTANCE

QUALIFYING PROCESS

FOR

HERNANDO COUNTY

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A. What is the SHIP Program?

The SHIP Program is a loan that provides down payment assistance for families/individuals that meet the eligibility guidelines. The four main eligibility requirements are as follows:

- Applicants must meet gross adjusted income for family size without going over
- Ability to qualify with a financial institution
- Must participate in a First Time Home Buyers Education Class
- Must not have owned a home *anywhere* within the three previous years

Eligibility is based upon household size and anticipated adjusted gross annual income for such size for any member of the household over 18 years of age that is working and/or any other member of the household receiving other forms of income such as Social Security benefits, pensions, retirement, etc.

B. How much money is available?

Eligible individuals and families can receive *up to* five thousand dollars (\$5,000.00) to put towards their down payment and closing costs for the purchase of an existing home and *up to* twelve thousand and five hundred dollars (\$12,500.00) to put towards down payment and closing costs for the purchase of a new construction home or an existing home with construction upgrades. More details will follow.

C. What are the loan terms?

The SHIP Loan is taken out as a Second Mortgage Agreement, but you do not make payments on it. The loan is paid back when one of these situations occur:

- The home purchased is no longer your primary residence
- The home is sold
- The first mortgage is paid in full
- If the buyer is deceased and wills the home to someone else
- The homeowner wishes to refinance their first mortgage

At this time, the loan must be paid back in one lump sum.

D. What are the recommended steps to apply for down payment assistance?

The following guideline is recommended for best results in applying for down payment assistance:

1. Obtain Pre-Approval from reputable mortgage lender or bank (mandatory)
2. Schedule/Attend First Time Homebuyers Education Class
3. Make appointment to apply for SHIP funds
4. Contact Realtor or Builder (wait to sign contracts)

One of the reasons obtaining a pre-approval from a financial institution first is that it is the first requirement in scheduling an appointment to apply for the funding. **If our office does not have a pre-approval letter from the applicant's financial institution, an appointment will not be scheduled.**

The First time Homebuyers Education Class needs to be scheduled as soon as the applicant(s) are pre-approved with a lender. If there is more than one adult (e.g. husband & wife, boyfriend & girlfriend), both parties must take the class. The classes are conducted by Consumer Credit Counseling Services and are held once monthly. If the applicant(s) does not get registered in a class as soon as possible, it may hold up closing on the home.

Applying for SHIP funds is listed third because the first two steps must be taken care of prior to the appointment. Appointments are continuously booked solid. Keep in mind when calling to schedule an appointment that the applicant may not get in for two to three weeks. This is also why it is important to follow these steps.

If for some reason the applicant(s) cannot make the appointment, please call to cancel and/or re-schedule, keeping in mind that cancellations will delay processing.

Many people make the mistake of signing a Real Estate Contract before applying for SHIP funds when in all practicality it should be the very last step. **Signing a Real Estate Contract or Construction Contract prior to your SHIP appointment will not get an earlier appointment.**

Not securing SHIP funds first may also cause the applicant(s) to lose the contract on the home because they could not get processed in time and the seller/builder will not give an extension.

Provided courtesy of:
<http://www.downpaymentsolutions.com>

Other sections of interest:
http://www.downpaymentsolutions.com/home_buyer_education/documents.shtml
<http://www.downpaymentsolutions.com/links/links.shtml>
<http://www.downpaymentsolutions.com/articles/articles.shtml>
<http://www.downpaymentsolutions.com/states.shtml>

E. Expected time frame for processing an application:

From the date of the initial SHIP appointment, **processing can take from four to six weeks or more because of the verification process.** There may also be other factors involved as well that may require more time for processing. This is yet another reason *not to sign contracts before the appointment.*

During the appointment, Third-Party Verification Forms must be signed by the client(s) and sent out for verification. Determining eligibility is dependent on receiving these forms in a timely manner.

Once all Third-Party Verification Forms are received, the Income Certification (ICF) can be completed. These verification forms are what must be used to determine eligibility. Once the SHIP Loan Coordinator has completed the ICF, the Executive Director must give final approval.

The SHIP Loan Coordinator will contact the applicant(s) to come in and sign off on the *Income Certification Form* once it is completed. The file then goes to the Executive Director for final approval. Once the Executive Director gives final approval, the SHIP Loan Coordinator will prepare and mail the *Letter of Approval (LOA)* to the applicant(s) and will fax a copy of the LOA to their lender. If the applicant(s) do not meet the eligibility requirements, an ineligible letter will be mailed.

F. Types of down payment assistance available:

There are three types of down payment assistance available as mentioned above. This outline explains the documentation needed from you or your lender in order to process a Request for Payment. They are as follows:

Existing. You may receive *up to* five thousand dollars (\$5,000.00) towards down payment and closing costs for the purchase of an existing home. The approval is valid for a period of ninety (90) days from the date of the LOA.

The following documents are required from the lender seven to ten business days *prior* to a Request for Payment to be processed for closing:

Final mortgage approval letter from financial institution stating:

- The legal name of the first mortgage holder (lender)
- The mortgage amount
- The monthly payments (including PITI)
- The closing agent and address
 - ❑ ***Signed Real Estate Contract***
 - ❑ ***Uniform Underwriting Transmittal Summary or MCAW (including amount of Subordinate Financing (SHIP Funds) requested***
 - ❑ ***First two pages of the Uniform Residential Appraisal Report***
 - ❑ ***Copy of the Certificate from First Time Buyers Class***
 - ❑ ***Proof of Title Commitment***

Existing with Construction Upgrades. You may receive *up to* five thousand dollars (\$5,000.00) towards down payment and closing costs for the purchase of an existing home and *up to* an additional seven thousand and five hundred dollars (\$7,500.00) for necessary construction improvements. The approval is valid for a period of ninety (90) days from the date of the LOA.

The following documents are required from the lender seven to ten business days *prior* to a *Request for Payment* to be processed for closing:

Final mortgage approval letter from financial institution stating:

- The legal name of the first mortgage holder (lender)
- The mortgage amount
- The monthly payments (including PITI)
- The closing agent and address
 - ❑ *Signed Real Estate Contract*
 - ❑ *Uniform Underwriting Transmittal Summary or MCAW (including amount of Subordinate Financing (SHIP Funds) requested*
 - ❑ *First two pages of the Uniform Residential Appraisal Report*
 - ❑ *Copy of the Certificate from First Time Buyers Class*
 - ❑ *Proof of Title Commitment*
 - ❑ *Home Inspection Report by a licensed home inspector*
 - ❑ *Signed agreements/contracts (by both parties) for all construction/improvements*
 - ❑ *Copies of contractor's license(s)*
 - ❑ *Schematic drawings for room additions*

The contractors have six months from the date of closing to complete the work. Once the work is complete, the contractors ***must*** notify the SHIP Loan Coordinator with the Final Inspection Number from the Hernando County Building Department for confirmation. Once the final inspection is confirmed with the building department and the recipient(s), the SHIP Loan Coordinator will issue a *Release of Funds Statement* to the title company for them to process payment. The applicant(s) must only use the contractor(s) they submitted to SHIP. If they do not, they will be responsible for payment.

The following upgrades that could meet the requirements for Construction Funds as defined by Florida Statue 420.9075 are as follows:

- ❑ Increase actual living space
- ❑ New Roof (must be at end of life expectancy)
- ❑ Bringing entire house up to current building codes including electrical, plumbing, or any structural deficiencies
- ❑ Septic systems, water heaters, central H/A
- ❑ Full window replacement for weatherization purposes

Regular household appliances are not included and anything cosmetic, such as replacing carpeting, floor tile, or painting, does not fall within the Florida Statues.

New Construction. You may receive *up to* twelve thousand and five hundred dollars (\$12,500.00) towards down payment and closing costs for the purchase of a newly built home. The definition of a new construction home is when any new home's *Certificate of Occupancy* is less than six months of age. The approval for New Construction is valid for a period of twelve (12) months from the date of the LOA.

The following documents are required from the lender seven to ten business days *prior* to a *Request for Payment* to be processed for closing:

Final mortgage approval letter from financial institution stating:

- The legal name of the first mortgage holder (lender)
- The mortgage amount
- The monthly payments (including PITI)
- The closing agent and address
 - ❑ *Signed Construction Contract*
 - ❑ *Uniform Underwriting Transmittal Summary or MCAW (including amount of Subordinate Financing (SHIP Funds) requested*
 - ❑ *First two pages of the Uniform Residential Appraisal Report*
 - ❑ *Copy of the Certificate from First Time Buyers Class*
 - ❑ *Proof of Title Commitment*
 - ❑ *Certificate of Occupancy*

G. Miscellaneous

**Up to signifies how much assistance is needed to close on the home from the Underwriters.

**Funds are limited and all loans are made on a *Funds Available Basis* only.

**Interest Rates must be below ten percent (10%) for buyers.

**Checks are cut on Fridays only and released no sooner than 3:30 p.m.

H. At/After the Closing

Once the applicant(s) have closed on their home, the following documents are needed from the title company:

1. Recorded Second Mortgage Document
2. Recorded Promissory Note
3. Copy of first mortgage document
4. Copy of closing Settlement Statement
5. Copy of Certificate of Occupancy (New Construction)

I. Letter of Approval

The Letter of Approval is valid for a total of ninety days for Existing home purchases and for Existing home purchases with Construction Upgrades, after which the SHIP application will become null and void. If the applicant(s) do not close on a home within the ninety days of the LOA, a thirty-day extension can be given if the applicant(s) contact the SHIP Loan Processor *prior* to expiration.

If a closing does not take place after the thirty-day extension, the applicant(s) will need to re-certify. All income and asset information will then have to be re-verified to obtain a new Letter of Approval. The same applies to New Construction LOA's; if the applicant(s) do not close on the home prior to expiration, they will need to re-certify. If there have been any significant increases since the initial verification process and it puts the applicant(s) above the income limits, they will then receive an ineligible letter.

The *Maximum Qualifying Income Limits* are as followed:

1 PERSON.....	\$28,300
2 PEOPLE	\$32,300
3 PEOPLE	\$36,350
4 PEOPLE	\$40,400
5 PEOPLE	\$43,650
6 PEOPLE	\$46,850
7 PEOPLE	\$50,100
8 PEOPLE	\$53,350

The total household income cannot exceed these amounts for family size. The State does not allow any flexibility for these guidelines.

Attached is the list of documents needed from the applicant(s) for the SHIP appointment, and the First Time Homebuyers Education Class Schedule.

****Please Note:** The Homebuyer's Class Certificate is valid for one year only. Should the certificate expire prior to SHIP funds being requested, the applicant(s) will need to re-take the class.

J. Eligible Properties

The maximum purchase prices for homes are as follows:

EXISTING HOMES	\$109,716.00
NEW CONSTRUCTION HOMES.....	\$145,560.00

SHIP WORKSHEET **(State Housing Initiatives Partnership)**

Prior to scheduling an appointment with our office, you must have a PRE-APPROVAL letter from a financial institution.

To take advantage of the Hernando County Down Payment Assistance Program, you must submit the following documents at your scheduled appointment time:

- Four most recent pay stubs, or letter from employer showing current year-to-date earnings for each member of the household over 18 years of age
- Most recent tax return [1040] from each member of the household over 18 years of age (dependent verification only)
- Proof of Social Security or SSI annual benefit statement(s)
- If self-employed or an independent contractor; past two years tax returns [1040's] and YTD Profit and Loss Statement from a licensed public accountant
- Most recent bank statements showing all accounts; checking, savings, CD's, money markets, 401K's, stocks, bonds, IRA's, retirement, pensions, etc.
- Copy of recent divorce decree since last tax return was filed
- Original Child Support/Alimony statements
- Property Appraiser's assessed value if you own land
- Driver's License(s)/Florida ID and Social Security Cards (all H/H members) or birth certificates for children
- Homebuyers Class Certificate, or show scheduled date
- Employer's address(s), phone numbers and/or fax numbers