

**City of Underwood**

**-TIF-**

**Homebuyer Assistance Program**

**A D M I N I S T R A T I V E   P L A N**

**Policies and Procedures for  
Administration and Management**

**Revised September 2004**

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Resolution of plan adoption

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## **CHAPTER I**

### **Introduction and Purpose**

- A) This plan generally defines the policies and procedures for the local government's administration of TIF funds, which will be used to assist homebuyers finance new or existing single-family detached homes within the local government's jurisdiction. This program is available to homebuyers who purchased their single-family detached home after the official adoption of this plan. This plan is intended to be a general guide for the equal, equitable, and fair treatment of the private citizen receiving homebuyer assistance as well as establishing the administrative process for this program.
- B) The purpose of this plan, and the program for which it will govern, is to acknowledge that the investment of public funds into privately owned residential housing is a public purpose to:
- [1] Create and promote affordable housing opportunities for citizens consistent with local laws and ordinances of land use and community development.
  - [2] Preserve and promote the tax base of our community through new housing developments, and the infrastructure to which it depends upon.
  - [3] Generate employment opportunities in the building and trades sector.
  - [4] Foster economic development activities by ensuring that the City has adequate housing stock for new residents.
- C) This plan may be revised, amended, or modified from time-to-time. Such revisions shall be effective only after local government review and affirmative majority vote, or at such other specific date as indicated in the revision, amendment, or modification. Certain portions of this plan need not obtain affirmative vote to be revised, and are so identified at respective sub-sections.

### **Statement of Goals and Objectives**

The purpose of the Homebuyer Assistance Program in Underwood, Iowa is to promote single-family home ownership for low-to-middle-income households. The City will offer homebuyer assistance to households with incomes that do not exceed 80% of the Area Median Income for Pottawattamie County as defined by HUD. The homebuyer assistance can be used for mortgage buy-downs, down payments, and/or closing costs. Homebuyer assistance will be offered in the form of a five-year receding forgivable loan, which promotes long term residency.

## **Definitions**

Unless otherwise indicated herein, the terms listed below shall have the following meaning:

Administrative Staff Administrative staff is those personnel identified by name, title, department, or through a separate private entity for the same, to implement the policies of this plan. They shall have no authority to obligate, commit, or expend program funds.

City Will be in reference to the City of Underwood.

Forgivable Loan Repayment is eliminated in part or entirely if the Borrower satisfies the terms and conditions as outlined in the promissory note.

HUD The acronym for the Department of Housing and Urban Development.

Income Determination Method Income determination will be verified using the *Technical Guide for Determining Income and Allowances for the HOME/CDBG Programs*. This program will use the definition Annual Income as Defined in *IRS 1040 Form Adjusted Gross* to determine applicant eligibility.

MFI The acronym for Median Family Income (HUD issues these figures annually by county.)

Minimum Property Standards (MPS) Are those safe, decent, and sanitary conditions to which all properties assisted with Program funds shall comply at completion and acceptance. This includes all applicable state/local building codes and local zoning ordinances.

TIF The acronym for Tax Increment Financing.

## CHAPTER II

### Program Design – Operational Guidelines

1) Eligibility Criteria and Application Process

(A) Eligible Applicant - The term eligible applicant shall refer to the following:

(1) An income eligible person(s) as defined by the City of Underwood's Homebuyer Assistance Program income guidelines. The applicant(s) income must not exceed 80 percent of the county (Pottawattamie County) median income according to the most recently published HUD County Median Income Guidelines. These figures will be updated annually as they become available.

(2) A credit worthy applicant who is buying or building a single-family detached home that meets the eligible property requirements as stated in 4) Eligible Property Type.

(B) Ineligible Applicant – The term ineligible applicant shall refer to the following:

(1) Any person(s) who exceed the above referenced income guidelines.

(2) An applicant whose property does not meet the program requirements.

(3) Any person(s) who exercises administrative management or has a direct financial interest in the functions and administration of the program.

(C) The application consists of questions related to family size, annual income, as well as construction type, costs, dates, etc. Applications can be obtained from the administrative staff or from City Hall. The City will hold an initial application intake period for receipt of all applications to be ranked. Applications received during this time frame will be assigned a "priority status" for funding. These priority status applications will be evaluated and rank ordered according to the application selection criteria formula described in Chapter V. Completed applications must be dropped off or mailed to the return address on the application.

(D) The administrative staff will verify all household income and assets according to the following Income Determination Method to determine eligibility. Every reasonable effort will be made by the administrative staff and the City to respect the privacy of the applicant. Project numbers, or other non-descriptive identifiers will be used in all publications. No public disclosure of the applicant's identity shall be done without their consultation and consent.

2) Income Determination Method

Income determinations will be calculated and determined by administrative staff with the assistance of the Technical Guide for Determining Income and Allowances for the Home Program. Administrative staff will use this guide to verify the income eligibility of the applicants. This program will use the definition IRS Form 1040 Adjusted Gross Income to determine applicant eligibility. As stated earlier in the previous section, applicants must meet income guidelines set forth by this program in order to be eligible for homebuyer assistance. Annual income will be verified through third party verification or through verification of the previous years tax statements if the household income and assets have not changed. Applicants on a fixed annual income can be verified through year-end statements of benefits such as social security, pensions, or retirement plans. Some assets are included in the computation of annual income.

3) Eligible Service Area

In order to be eligible for program assistance, the assisted property must be located within the corporate city limit of the City of Underwood.

4) Eligible Property Types

The term eligible property shall refer to the following:

- a. Eligible property for this program is defined as either new or existing single-family detached homes with a total assessed value at or below the current FHA Mortgage Limit for a single-family home in Pottawattamie County as established by the US Department of Housing and Urban Development (HUD).
- b. Manufactured homes permanently affixed to a permanent foundation on land owned by the homeowner and taxed as real estate are eligible for homebuyer assistance.
- c. Assisted properties must be located within the corporate limits of the City of Underwood.
- d. Assisted properties must comply with all applicable state/local building codes and local zoning ordinances. Documentation of compliance with this regulation shall be secured with a satisfactory final building inspection report completed by the City within five (5) years of the time of application.
- e. Properties to be assisted cannot be located in a floodplain.
- f. The assisted property must be the homeowners' principal residence and must be wholly residential in character.

5) Type of Assistance, Level of Assistance and Terms

Homebuyer assistance can be used for mortgage buy downs, down payments and/or closing costs on the purchase or construction of a new or existing single-family home. Eligible homebuyers will either receive 10% of the assessed property value or 10% of the appraised property value in homebuyer assistance, whichever is greater. In order for an eligible applicant to use an appraised value as a basis for an award, the applicant must furnish the City with an appraisal completed and signed by a licensed appraiser. Upon

acceptance of an appraisal as a basis for an award amount, an applicant will be eligible to receive assistance in the amount of either 10% of the appraised value or 10% of the purchase price of the property, whichever is less. In any case, the maximum amount of homebuyer assistance funds to be awarded to an applicant CANNOT exceed 10% of the current FHA Mortgage Limit for a single-family home in Pottawattamie County as established by HUD.

The homebuyer assistance will be awarded in the form of a forgivable loan which will be secured by a zero interest promissory note and mortgage in a second position behind the first mortgage lender. The second mortgage will be written in the form of a five (5) year receding forgivable loan that decreases 20% per year. The five (5) year period will begin when the assisted property is documented as occupied by the recipient of the assistance and as the recipient's principal place of residence.

Upon sale or transfer of the property before the five-year forgiveness period has expired the funds will be recaptured and paid back to the City. If the property becomes other than the assisted property owner's principal place of residence at any time during the five-year term repayment of the principal amount, based on the above-mentioned schedule, is immediately repayable to the City.

6) Project Administration

The City of Underwood has contracted the administrative services of the Omaha - Council Bluffs Metropolitan Area Planning Agency (MAPA), to administer this grant program. MAPA will be responsible for reporting, maintaining records, and overall programming administration of the grant.

7) Proposed Re-use Plan for Program Income.

In the event that funds are recaptured due to sale or transfer of property prior to the five - year forgiveness period, the funds will be placed into a separate account earmarked for future homebuyer assistance awards using the same criteria and parameters as outlined in this administrative plan.

Any program income received by the City of Underwood will also be placed in the above-mentioned account for future homebuyer assistance awards.

## CHAPTER III

### Management/ Administrative Responsibilities

#### 1) Grantee Responsibilities

The grantee is the City of Underwood, publicly responsible for the integrity and overall community perception of the program. They are responsible for the compliance of the program with applicable state/federal laws.

The grantee's specific responsibilities shall include:

- (A) To establish and modify these policies and procedures of consistency governing the administration of the program.
- (B) To commit and authorize the expenditure of all program funds.
- (C) To accept the responsibilities as contained in this Plan for the prudent and effective implementation of the program, and
- (D) To serve as grantor in lien(s) filed.

Unless otherwise stated, the grantee's existing codes and ordinances shall govern their administrative procedure regarding fiscal management, eligible signatures, and rules of and for official meetings.

Revisions of this Plan shall be implemented through the ratification used for its creation. On review of the issue(s) for amendment and receipt of staff recommendations the grantee shall, by affirmative vote, adopt the revision(s).

#### 2) Administrative Staff Responsibilities

The Omaha - Council Bluffs Metropolitan Area Planning Agency (MAPA) will administer the Homebuyer Assistance Program for the City of Underwood. Administrative staff shall perform the day-to-day supervision of the program within the applicable rules and regulations. Duties shall include, but not be limited to:

- (A) Development and coordination of the program's marketing efforts.
- (B) Application intake and processing.
- (C) Applicant and property eligibility determination process.
- (D) Preparation of promissory note and mortgage documents.

- (E) Preparation of progress and financial reports.
- (F) Interpretation of deviations from the actual policies herein.

3) Applicant/Recipient Responsibilities

The homebuyer is the ultimate beneficiary of this program. The recipient's responsibilities include:

- (A) Cooperate in supplying complete and accurate income and assets information to determine applicant income eligibility.
- (B) Supply complete and accurate information to assist administrative staff to determine the eligibility of the property.
- (C) Contact administrative staff at least 3 weeks to loan closing to arrange a walk through to determine the eligibility of the property to be assisted.
- (D) Cover the up front cost of the mortgage filing fees and any necessary property inspections.
- (E) Notify the administrative staff if the assisted property is sold, transferred or for any other reason is no longer the homebuyer principal place of residence.
- (F) Compliance with all local building regulations and codes. If a recipient proposes to use funds to purchase a property that does not meet all applicable requirements, the recipient shall have 12 months from the date of award to remedy any and all deficiencies noted by the Building Inspector. Any recipient who fails to meet this requirement may be required to repay the entire amount of the award to the City. If a subsequent building inspection is required to ensure compliance with this provision, the cost of that inspection shall be the responsibility of the Recipient.

4) Third Party Involvement (Applicant/Homebuyer, Lender, and Others)

It may become prudent or necessary to incorporate the participation of others such as homebuyers, lenders, homebuilders, and etc. in the administration of the program. Staff shall be responsible for any program recommendations rendered from third party participants.

## CHAPTER IV

### Marketing Plan

#### 1) Processes, Timing, and Coordination

Processes - The City plans to hire administrative staff to monitor and administer this program.

Timing - Upon City approval, the project administrator will begin development and distribution of marketing information, which will announce program availability, summarize the program purpose, discuss the criteria for an eligible participant and provide information on how to obtain an application.

Coordination - The administrative staff will coordinate the day-to-day programmatic administration of the program under the oversight of the City.

#### 2) Methods of Implementation and Media to be Used

Methods for announcing the availability of the Program shall include, but not limited to, the following:

- (a) Use of the public media including area newspaper(s) and/or radio.
- (b) Any other reasonable and available methods felt to provide program knowledge to potential homebuyers.

Documentation of all methods shall be retained and made part of the program files. Any written methods of marketing shall conspicuously contain reference to fair housing requirements of the program.

## CHAPTER V

### Project Implementation Strategy

#### 1) Application Process

The application consists of questions related to family size, annual income, as well construction type, location, costs, dates, etc. Applications can be obtained from the project administrative staff or from City Hall. Completed applications must be dropped off or mailed to the return address on the application.

Every reasonable effort will be made by the administrative staff and the City to respect the privacy of the applicant. Project numbers, or other non-descriptive identifiers will be used in all publications. No public disclosure of the applicant's identity shall be done without their consultation and consent.

Income determinations will be calculated and determined by administrative staff with the assistance of the Technical Guide for Determining Income and Allowances for the Home Program. Administrative staff will use this as a guide to verify the income eligibility of the applicants. This program will use the definition IRS Form 1040 Adjusted Gross Income to determine applicant eligibility. As stated earlier in the previous section, applicants must meet income guidelines set forth by this program in order to be eligible for homebuyer assistance. Annual income will be verified through third party verification or through verification of the previous years tax statements if the household income and assets have not changed. Applicants on a fixed annual income can be verified through year-end statements of benefits such as social security, pensions, or retirement plans. Some assets are included in the computation of annual income.

#### 2) Selection Process

After receipt of all applications during the initial application period, the administrative staff will verify the information in each application. If the number of eligible applicants is sufficiently low, the City will provide assistance to each eligible applicant receiving priority status. This determination will be made by administrative staff and the Underwood City Council. In the event that the number of eligible applicants exceeds the level of funding available in the initial round of awards, applications received will be ranked according to the following criteria:

- A) Residency within the Underwood School District at the time of application. Applicants residing in the Underwood School District with priority status at the time of application will be ranked ahead of other applicants receiving priority status.
- B) Applicants who have secured financing (i.e. mortgage or construction loan) to purchase or build an eligible property at the time of the

application will be ranked ahead of applicants who have not secured financing at the time of application. Applicants who have not secured outside financing at the time of application will still receive priority status, but will be ranked in the order the City receives documentation that financing for a project has been secured.

Up to four (4) verified and eligible applicants will be notified in writing that the homebuyer assistance award has been reserved in their name for up to four months. The amount of funds available will determine how many applications will be funded. The applicant will have up to four months to furnish the program administrator with proof that they have an eligible property and financing in place so that the home will be occupied within one year from their application date. Homebuyer Assistance Awards will be de-obligated from an applicant who does not meet the four-month or twelve-month deadlines. Applicants still interested in the Homebuyer Assistance Program must re-apply as a new applicant. However, after re-applying for assistance, these applicants will no longer have priority status and will be placed the bottom of the list of eligible applicants, provided that the applicant is still eligible for assistance.

#### Homebuyer Assistance Award Process

The applicant will notify administrative staff when construction is nearing completion or three weeks prior to loan closing so the administrative staff can walk through the property to insure compliance with program requirements. The program staff will notify the homebuyer that the property complies with the program requirements and will set up a date to sign the promissory note and mortgage document. The homebuyer will pay to have the mortgage filed and the City will then issue the check in the name of the applicant and their lender.

In the event that the property does not comply with program requirements, program staff will notify the applicant in writing the reason the property does not comply with program requirements.

#### 1) Dispute Resolution Processes

In the event an irreconcilable dispute arises between any of the parties the following processes shall govern.

- (i) The contested issue shall be summarized in writing to the project administrative staff with signatures of each contesting party thereto. The project administrator shall review all issues and facts and, within 10 days in writing, provide a written resolution to the parties. Signatures to the resolution shall demonstrate their acceptance to it.
- (ii) Should the written resolution not be acceptable to any party, the denying party shall offer a written summary establishing the dissenting view. Upon receipt by the project administrator, the original and dissenting summaries shall be presented

to the City Council. Within 7 days of their next regular council meeting they shall render, in writing to the contesting parties, the grantee's resolution. Signature to the grantee's resolution shall demonstrate their acceptance of it.

- (iii) Should the issue remain unresolved, the grantee's council shall hear and receive comment at its next regular meeting called for such business from any and all affected parties. Within a reasonable time thereafter, it shall instruct staff with a method of resolution. The decision of the grantee's board shall represent the last step established within this Plan for resolution of disputes.

2) Funds Disbursement / Fiscal Management

The grantee shall be ultimately responsible for and maintain final control of all fiscal matters and management. Administrative Staff shall have the responsibility of reporting program expenditures and preparing quarterly and final performance reports on behalf of the City.

3) Reporting Procedures

The City will maintain all program records for at least five years from project closeout.

Program Guidelines Adoption and Amendment Process

This administrative plan will be adopted before the City of Underwood's City Council by motion of a resolution adopting the plan. Any necessary changes to this administrative plan, after the City adopts the plan, can be made by filing an amendment to the administrative plan. All amendments to this plan shall go before the City of Underwood's City Council and approved by a motion and vote. Such action of the City Council shall be recorded and kept in the city council meeting minutes.

## **CHAPTER VI**

### **Attachments**

- Eligibility Requirements
- Application Form
- IRS Form 1040 Adjusted Gross Income
- Promissory Note/Mortgage Instrument