

Things to Know: The Texas NEIGHBORHOOD STABILIZATION PROGRAM HOMEBUYER ASSISTANCE (HBA)

The Texas NSP1 provides Homebuyer Assistance (HBA) for properties used as the eligible borrower's principal residence. This subordinate homeownership financing under the Texas NSP1 program will be provided as a deferred, forgivable, 0% interest loan, to households at or below 120% of the Area Median Family Income (AMFI). HBA may not exceed \$30,000, with the final amount based on calculated need.

❖ HBA – Use of Funds

HBA funds may be used for:

- Down payment assistance
- Gap financing – principal reduction
- Closing costs

Down payment assistance is limited to 50% of the lender's programmatically required down payment prior to individual qualification. For example, if the lender required downpayment is 5% of the purchase price, the NSP HBA may be used for 2.5%. The balance of the HBA amount, up to \$30,000 total, may be used for gap financing and closing cost.

Allowable expenses are restricted to reasonable third party fees. Fees payable to third party lenders are limited to 2% of the loan amount for all charges, including but not limited to origination, discount point(s), application, and/or underwriting fees. Non-lender third party fees that are supported by an invoice and reflect on the HUD-1 will not be included in the 2% limit.

❖ Maximum Loan-To-Value

The maximum combined loan-to-value for ownership financing is 100% of the appraised value. Closing costs and allowable prepaid costs may be financed, so long as the final loan-to-value does not exceed 100%.

❖ Homebuyer Minimum Investment

A down payment of \$500.00 will be required from all homebuyers receiving ownership financing through the Texas NSP1. Qualifying households will be allowed to participate in a self-help housing program, at the approval and discretion of TDHCA, through which a minimum number of self-help construction hours, will be allowed to substitute as "sweat equity" for the \$500.00 down payment requirement.

Homebuyers may provide more than the minimum \$500.00 at closing; any additional funds will be applied to a principal reduction.

❖ Homebuyer Education

All NSP-assisted homebuyers will be required to complete at least 8 hours of homebuyer counseling from a HUD-approved housing counseling agency before obtaining a mortgage loan. Evidence of completion must include documentation describing the level of homebuyer counseling, including post-purchase counseling.

❖ **Ownership of Other Property**

The property must be owner-occupied and the borrower may not have an ownership interest in any other residential dwelling at the time of loan closing. A manufactured home, regardless of the type of land ownership, is considered a residential dwelling for this purpose. Ownership in a timeshare, either as a deeded interest or a right-to-use arrangement, is not considered ownership in a residential dwelling for Texas NSP purposes due to the very limited (typically one or two weeks per year) access to the unit.

❖ **Eligible Mortgage Financing**

The homebuyer must qualify for primary mortgage financing from a recognized lender to purchase the home.

- The first lien mortgage must be a fully amortized, fixed rate loan for up to 30 years
- The housing ratio (“front end ratio”) must fall between 28-32% and the total debt ratio (“back end ratio”) may not exceed 45%
- The combined origination fee and any other fees associated with the primary mortgage may not exceed 2% of the loan amount
- Must include escrow for taxes and insurance, including flood insurance if applicable

Ineligible Mortgage Financing: Adjustable Rate Mortgages (ARMS), Balloon Payment mortgages, Wraparound mortgages, Graduated mortgages, Negative Amortization mortgages, Sub-prime mortgages or other non-traditional financing are NOT allowed under this program.

❖ **Eligible Property Types**

- Single Family Residence
- Condominium
- Town Home
- Manufactured Housing Unit (MHU) (with limitations)
- Existing structures and new construction are eligible
- Property must have been foreclosed

❖ **Loan Closing**

At least thirty days prior to loan closing, please submit the following information to TDHCA for approval:

- Final first lien base loan amount and total loan amount as will be reflected on the Deed of Trust (DOT)
- First lien trustee name and address as reflected on the Deed of Trust (DOT)
- Final Good Faith Estimate (GFE) or preliminary HUD-1 Settlement Statement
- Underwriting approval to include all conditions, debt-to-income ratios and programmatically required loan-to-value
- Indicate how the borrower’s names will appear on the first lien

Once approved, any changes made to the above submitted items or first lien loan amounts will invalidate the approval and require resubmission for re-approval.

Please allow 30-45 days from submission of a complete loan closing file along with this signed letter to receive closing documents. Any interest rate locks should be coordinated with NSP loan closing staff prior to initiating the lock to avoid any issues with expiring lock agreements.

Lender Representative Date: