

Homebuyer Assistance Program
Policies and Procedures
of the
Incorporated County of Los Alamos



LOS ALAMOS COUNTY
HOMEBUYER
ASSISTANCE PROGRAM

Administered by Los Alamos Housing Partnership, Inc

Approved by Los Alamos
County Council September 5th, 2017



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Incorporated County of Los Alamos

Homebuyer Assistance Program

Policies and Procedures

(Approved September 5th, 2017)

Los Alamos County Homebuyer Assistance Program Policies and Procedures

I. Introduction

On February 28, 2017, the County Council of the Incorporated County of Los Alamos (County) established a County-wide Homebuyer Assistance Program through the adoption of Ordinance number 02-270. This Ordinance, attached hereto as Attachment 1, authorizes the County Community Development Department (CDD), to develop and implement a County Homebuyer Assistance Program, or “Program.” This Program, as provided in Attachment 2, has been reviewed by the New Mexico Mortgage Finance Authority (MFA) and has been found to generally comply with MFA and State Affordable Housing Act (NMSA 1978, §§ 6-27-1 *et seq.*) requirements and regulations.

II. Purpose of the Incorporated County of Los Alamos Homebuyer Assistance Program

This document sets forth policies and procedures for the Los Alamos County Homebuyer Assistance Program. The purpose of the Los Alamos County Homebuyer Assistance Program is to assist income eligible selected households in purchasing a home by providing non-amortizing down payment deferred loans with County funds and by providing homebuyer education and counseling. The program will lend to the eligible selected household and will not lend to a trust, a company, corporation, LLC, non-profit, religious groups or similar. The Program contributes to the County's housing goals to promote the creation of a variety of housing options for all segments of the Los Alamos community, including infill opportunities as appropriate, and support development of affordable workforce housing.

Ordinance No. 02-270 (Ordinance) authorizes the establishment of a Homebuyer Assistance Program and outlines the framework for the program including eligible loans, loan terms, and applicant eligibility. The policies and procedures contained in this document, and subsequent amendments, (Policies and Procedures) provide a framework for Program activities and define the various roles for County staff, any vendor contracted to deliver and administer the program, Program applicants, and a Loan Review Committee (LRC) appointed by the County Manager.

It should be noted that these Policies and Procedures will be updated as necessary, particularly as Program and/or Community conditions change or situations arise which highlight the need to make necessary changes that ensure that the County, its program partners and participating homebuyers are appropriately served and protected. Additionally, the Program Policies and Procedures may be amended from time to time as local, State, and federal statutory lending program requirements change.

III. General Program Description

The Homebuyer Assistance Program provides deferred payment loans to selected income-eligible households for down payment and closing cost assistance towards purchase of a home within the County. The County will provide financial assistance to qualified individuals, depending on funding availability, through its funding partners and offer non-amortizing deferred payment loans at below market interest rates. In general, upon receipt of an application, the County or designated contractor (Program Staff) will determine the applicant's household eligibility for the County homebuyer assistance program and will then review the financial assistance programs available to an eligible homebuyer, based on household income and Program parameters. Program Staff will work with the homebuyer and first mortgage lender to determine the maximum amount which the homebuyer can borrow and required down payment, based on program interest rates, loan terms, Loan-to-Value (LTV) ratios and other underwriting criteria being used. Program Staff will review the home inspection report by a certified home inspector prior to closing, the successful outcome of which will be a prerequisite for the release of funds for the County's homebuyer loan assistance.

One of the primary elements of the Program is to lend Program funds to qualified individuals or households. The primary measure is the household's income level. Only individuals or households with *very low income* or *low income*, as defined in the Ordinance, may receive Program funding. *Very Low income households* are defined as those earning between 30 and 49.9% of the Area Median Income (AMI). *Low income households* are those households earning between 50% and 80% of AMI. Both are adjusted by the size of the household as defined by the Department of Housing and Urban Development. Those households with annual income between 30 and 49.9% AMI can qualify for a 0% deferred payment loan; 50%-59.9% of AMI qualify for a 1% deferred payment loan from the Program; those households with annual income between 60%-69.9% of AMI qualify for a 1.5% deferred payment loan from the Program; and those households with annual income between 70%-79.9% of AMI qualify for a 2% deferred payment loan from the Program. Interest charged is simple interest. **Procedure #5** provides a more detailed description regarding income eligibility determination.

Program applicants must occupy the property as a principal residence and must remain the owner of record. An applicant who has previously received a loan from the Los Alamos County Homebuyer Assistance Program may not re-apply. An applicant who has not previously received a loan from the County's Homebuyer Assistance Program and whose application was rejected may re-apply for the program after one year.

IV. Loan Limits and Servicing

The maximum loan that may be provided to any applicant in the form of a deferred payment loan or low interest amortizing loan is \$25,000, or 10% of the purchase price of the home, whichever is lower. The minimum loan amount is set at \$8,000. County Program loans cannot be used to increase the applicant's down payment contribution over 20% LTV. The applicant's first mortgage must be for a minimum term of 30 years unless the first mortgage loan is a

non-conforming loan and this must be determined by the lender and Community Development Department Staff. In the case of a non-conforming loan, the program will allow for an Adjustable Rate Mortgage (ARM) with an amortization must be of 30 years and wherein the interest rate must be fixed over a minimum period of 10~~5~~ years after which time the interest rate can be adjusted a maximum of 2% ~~only once annually~~ with an overall-maximum rate increase adjustment of capped at 65 percent over the life of the loan.

The County has entered into a contract with the Los Alamos Housing Partnership, Inc. to originate and service the non-amortizing, deferred payment County loans.

V. Affordability Controls

Those applicants who receive financial assistance in the form of a deferred payment loan from the Program shall execute at closing, a Promissory Note (Note) in the amount of the loaned funds and a mortgage which secures the Note and restricts the use of the property to that which is contemplated under the Program. The Note and mortgage will be subordinate to the first mortgage on the property, provided that cumulative loan to value does not exceed 105%.

Recipients of Program assistance must agree that they shall reside at and hold title to the property for as long as the loan funds are unpaid and outstanding. Simple interest on the loans shall accrue over the length of the affordability period, after which time no additional interest shall be charged. For funded Program loans under \$15,000, the affordability period is ten (10) years and for loans from \$15,000 to \$25,000 the affordability period is fifteen (15) years.

VI. Applicant Eligibility

Applicants will be evaluated for Program income eligibility utilizing criteria consistent with MFA guidelines. The procedure outlining the steps and methodology for determining income eligibility is contained in **Procedure 2: Determination of Applicant Eligibility**.

In general, an applicant's *annual income* is defined as the gross amount of all adult household members anticipated to be received during the coming twelve-month period. To accomplish this, a "snapshot" of the household's current income can be used to project future income, unless documentation is available or provided that indicates that current circumstances are about to change. Income from the following sources are counted: wages, salaries and tips, commissions and bonuses; net income from operation of a business; interest, dividends, net income from real or personal property; social security, annuities, pensions, disability or death benefits; unemployment and disability compensation; welfare assistance; court-ordered alimony and child support; regular contributions or gifts; and armed forces income.

An applicant does not have to be a first-time homebuyer. The Program may assist an applicant that owns a primary residential property at the time of application, provided that the subject home is sold prior to the purchase of a home within the County.

Closing on the down payment assistance loan from the County is subject to Program Staff verification that the sale of the existing home has been closed and the proceeds from sale do not cause the applicant's assets to exceed Program limits.

An applicant shall not have total assets greater than \$50,000. *Aggregate assets* include the following: 1) Cash held in savings and checking accounts, safe deposit boxes, homes, etc.; 2) Cash value of any revocable trust available to the applicant; 3) Notes, mortgage or deed of trust held by the applicant; 4) Stocks, bonds, Treasury bills, certificates of deposit, mutual funds and money market accounts; 5) Cash value of life insurance policies available to individual before death; 6) Personal property held as an investment including gems, jewelry, coin collections and art; 7) Lump sum receipts or one-time receipts from inheritance, lottery winnings, insurance settlement, etc. Retirement and education accounts that cannot be accessed without penalty are not included in assets.

The applicant must be prepared to contribute a minimum of \$1,500 of their own funds for a down payment. This may include a combination of cash, cost of the lender's appraisal, cost of the required earnest money deposit, and/or cost of home inspection by a certified home inspector. In addition, the applicant may be required, as a condition of assistance, to contribute a greater down payment if they have greater than \$25,000 in liquid assets, defined as assets that can be converted to cash without payment of a penalty or sales commission, with no impact on the value of the asset.

Eligibility of Home

Primarily, any home purchased under this program must be located within the legal jurisdiction of Los Alamos County. The Program considers all types of homes as eligible, with the exception of a manufactured home which is not on a permanent foundation, or a manufactured home which is on leased land. However, down payment assistance funds may be used for acquisition of the land under which an applicant-owned manufactured home is set on a permanent foundation. As part of the evaluation of an application, a home inspection by a certified home inspector will be required by the County or its designated agent to determine whether the home is adequate in terms of number of rooms, bedrooms and overall home square footage per person per program standards. In addition, a home inspection will identify if there are existing inadequate conditions which represent an immediate threat to occupants' health, safety and welfare and which would have to be corrected prior to move-in.

Program staff will review the home inspection report and perform an assessment of the applicant's ability to pay for improvements required for safe occupancy of the premises. This information will be included in the loan application package for the Loan Review Committee.

The Program will also consider whether the price of the home, mortgage loan amount, interest rate and terms allow the household to meet required housing to income ratios and total debt to income ratios that are set forth in the underwriting criteria. In addition, the proposed PITI payment will be evaluated against the applicant's current mortgage or rent payment to determine any "payment shock" from the proposed purchase. Maximum allowable home purchase price for the Program follows the MFA "First Home" and "Next Home" current program limits for Los Alamos County, which is \$369,501.

The home to be purchased cannot be part of an owner-built project.

If a home purchased under the County's Homebuyer Assistance Program or a home under the Home Renewal Program is sold to an income-qualified buyer who is not receiving assistance under the Homebuyer Assistance Program, the income-qualified buyer may assume the full amount of the existing County mortgage. If the income-qualified buyer is receiving assistance under the Homebuyer Assistance Program, the buyer must meet Program Loan Limits and Servicing and the buyer can only assume the mortgage if they are approved for a loan amount equal to the existing loan amount on the home. If an existing loan is assumed by an income qualified buyer, the existing mortgage will be cancelled and a new mortgage and promissory note will be issued and recorded.

If the home to be purchased has property violations identified by County Code Compliance staff, the Homebuyer Assistance Program applicant or the seller must provide a copy of signed written agreement with County Code Compliance staff indicating how the violations will be addressed by a specified date.

Eligible Costs

The down payment assistance loan, in addition to providing funds for a down payment, can be used to pay the following costs: home inspection, title insurance policy, survey cost, fees to the title company, and recording fees. This assistance cannot be used for buyer loan costs, HOA fees, pre-pays, initial escrow payments, home warranty, real estate broker commissions, delinquent taxes, liens, or charges levied against the home to be purchased. County funds cannot be used to reimburse funds already paid by applicant.

VII. Application and Evaluation Process

The County or designated partners will initiate the Program by announcing funding availability in the newspaper, radio and on its websites. The County or designated partner website will include a brochure with Program overview, application form and applicant checklist, program policies and procedures, and standard mortgage and promissory note. Prospective Los Alamos homebuyers will be invited to submit completed application forms for assistance to the County or designated partner, on a first-come, first-serve basis for as long as funds are available. Program Staff will meet with the applicant upon receipt of the application, verify the applicant's eligibility for the program and explain how the Program and process works. For applicants who are determined ineligible for the Program, Program Staff will provide a letter explaining the applicant is ineligible and the evaluation criteria that were not met. For applicants who have already identified a home they wish to purchase, a home inspection by a certified home inspector will be performed to determine whether the home is in adequate condition and suitable for the applicant's housing needs. The home inspection will also be used to determine whether renovations may be required to bring the unit up to habitable condition and if the scale of needed improvements would be affordable to the applicant. This information will be considered in the Loan Review Committee's review of the loan application.

The loan application to be provided to the Loan Review Committee will include information required to verify income, assets, household size, and itemization of all outstanding debts and monthly payments, among other items.

Upon receipt and review of all required information Program Staff will confirm applicant and Project eligibility, the percentage of Los Alamos County Area Median Income within which the applicant household falls and the alternatives for financial assistance which are available under the program, if available. Program Staff will then meet with the applicant to inform them of the options for financial assistance and will, submit the application for recommendation of approval of a maximum funding amount from the County Loan Review Committee. This recommendation will then be forwarded to the County Manager for final approval. The Loan Review Committee will evaluate the request according to underwriting criteria, including, but not limited to the following: housing to income ratio, debt to income ratio, credit score, loan to value, appraised value, and proposed change in housing expense.

If the loan application requires conditional approval, it will require approval from the Loan Review Committee and County Manager. Subsequently, if program staff determines loan conditions have been met, program staff will inform the LRC, and a second LRC meeting will not be held unless requested by the LRC for the LRC to also determine loan conditions have been met. If a second LRC meeting is held, program staff will contact the County Manager to ask if the County Manager wishes to review the loan application a second time for approval. Procedures for Loan Determination & Approval are explained under Procedure 6 below.

The application period for assistance will be conducted year-round while funds are available in the fiscal year. Applications will be processed on a first come-first served basis, according to the date when the final applications are determined to be complete by staff and logged in to the system.

VIII. County Loan Review Committee

A County Loan Review Committee shall serve as an advisory/review committee to the County and to make recommendations to the County Manager on all loan approvals. Unless the County delegates the authority to make loans with County money to another organization, the County Manager will need to approve all loans, after reviewing the recommendations of the County Loan Review Committee. This County Loan Review Committee will consist of five members with knowledge of finance, construction, property management, and real estate sales.

IX. Underwriting Criteria

Underwriting consists of an objective analysis of the risks associated with a loan, as well as conformity to Program parameters. The application, credit report, verifications and all requested documentation shall be reviewed by Program Staff and/or authorized Program partners. Underwriting shall be performed by the County or by a partner designee, utilizing Program-approved underwriting criteria. In the instances where loans are to be provided by a bank under a program partnership agreement, the underwriting shall be performed by the

bank which is originating and servicing the loan, under contract to the Program, using underwriting criteria that has been developed jointly between the bank and the County.

For the non-amortizing deferred payment loans, if the first mortgage is a 30-year prime mortgage loan the primary underwriting criteria will include the following: minimum credit score is 640; with Loan Review Committee empowered to make positive recommendation below this level under extenuating circumstances; and back end ratio must be at or below 50%. If the first mortgage is an adjustable rate mortgage (ARM) as allowed by these program guidelines, minimum credit score is 6460 and back end ratio must be at or below 43%. For both prime mortgage loans and ARMs, the maximum cumulative loan to value is 105%; purchase price of home must be at or below appraisal; and home must have clear title.

If two credit scores are provided, the lower of the two scores is used for the application. If three credit scores are provided, the middle score is used. Applicant must receive prime fixed rate first mortgage financing before down payment assistance funds are released. If the home is a manufactured home it must be on a permanent foundation.

X. Foreclosure Notices

All foreclosure notices for homes which are in the program will be reviewed by program staff to determine action to be taken. Action to be taken can include allowing the foreclosure to proceed without a Right to Redeem if the County determines the property is not feasible to redeem through the foreclosure process. Program staff will document when the property went to public sale and process the loan write off in accordance with local and/or State write off procedures.

If the outstanding loan amount has been determined feasible to redeem, Program Staff may also forward the foreclosure notice to the County Attorney requesting the Right to Redeem be processed. The County Attorney will process the legal documentation to purchase the property from the foreclosure following State and Local laws or suggest other possible loan redemption options. Procedures for foreclosure notices are explained under Procedure 9.

XI. Borrower Bankruptcy Notices

In the case of receipt of a borrower bankruptcy notice, Program Staff shall review the notice and forward the notice to the County Attorney's office for additional assistance.

XII. Loan Subordination

Program Staff shall process any subordination requests from the borrower. The County will consider Subordination requests only for refinance of the borrower's first mortgage and under these circumstances: 1) The lien position of the County loan is in the same position or in an advanced position; 2) Total loan-to-value (LTV) will not exceed 100%; 3) Applicant will meet the same underwriting criteria as were met when the County was first approved.

Staff will forward to the Lender the Subordination Policy for down payment assistance mortgage loans. The Lender will be instructed to provide all information required to satisfy

the subordination requirements detailed in the Subordination Policy. Program Staff shall, upon receipt of the Subordination Package from the Lender, review and analyze the documentation to determine if the request meets the subordination requirements. If it does, County staff will sign the prepared subordination agreement. The approved Subordination Agreement, will be forwarded to the Lender and the original Subordination Agreement will be delivered to the Lender for the signature from the Owner, and the Lender will be responsible for the recording of such document. A copy of the subordination agreement will be attached to and filed with the recorded mortgage until a recorded copy is received. The recorded copy will eventually be attached to the recorded mortgage. Procedures for loan subordination are explained under Procedure 12 below.

XIII. Core Program Rules

1. Property owners must occupy the property as their principal residence and qualify as low and/ or very low – income at the time the income certification is prepared. The Program has an aggregate asset limitation of \$50,000, although liquid assets in excess of \$25,000 may trigger a requirement for an additional down payment from the applicant, in excess of the minimum otherwise required. There is no first time homebuyer requirement; applicant may have an existing improved residential property at the time of application, provided that the property is sold prior to closing of the down payment assistance loan, as set forth in Section VI above.
2. The subject property must be located within Los Alamos County. The home can be detached, a duplex, triplex, quadraplex, townhome, condominium or manufactured home on a permanent foundation.
3. The subject property value must be below the MFA current program limits for the First Home or Next Home program.
4. Applicants may receive financial assistance one time only from the Homebuyer Assistance Program. Applicants may combine funding for the Homebuyer Program with the Home Renewal Program.
5. Applicants must meet the definition of an *Eligible Buyer* per Ordinance No. 02-270. This means a household earning less than eighty (80) percent of the Los Alamos County Area Median Income as calculated by the United States Department of Housing and Urban Development (HUD), prior to its downward cap adjustment to the national low income limit.
6. Income qualifications must be completed before program assistance is provided. Income verifications are good for six months from date of initial income certification. Commitments for down payment assistance are good for 6 months from the date of initial commitment. After that time, the commitment would expire and a new application must be submitted.
7. The minimum level of program financial assistance is \$8,000.

8. Homebuyers must contribute a minimum down payment in an amount of \$1,500. The following items can count toward the \$1,500 down payment: the cost of appraisal, required earnest money deposit, home inspection by a certified home inspector, title insurance, survey, recording fees, homebuyer training and closing fees to the title company. In addition, the applicant may be required, as a condition of assistance, to contribute a greater down payment if they have greater than \$25,000 in liquid assets, defined as assets that can be converted to cash without payment of a penalty or sales commission, with no impact on the value of the asset.

9. The applicant must obtain a Homeowner's Property Insurance policy at the time of loan closing. Los Alamos County shall be named as additional insured (2nd Mortgagee). The Homeowner Property Insurance Policy shall remain active until the loan has been repaid and/or forgiven. Homebuyer shall maintain insurance at all times to the specified limits while loan remains outstanding.

10. The down payment assistance loan, in addition to providing funds for a down payment, can be used to pay for certain closing costs being title insurance policy (not including title commitment to be paid for by the seller), survey cost, fees to the title company, and recording fees. This assistance cannot be used to pay for buyer loan costs, home inspection, HOA fees, pre-pays, initial escrow payments, home warranty, real estate broker commissions, delinquent taxes, liens, or charges levied against the home. County funds cannot be used to reimburse funds already paid by applicant, as described in Section VI above.

11. Homebuyers who have filed for bankruptcy or have had property foreclosure must wait three years from the bankruptcy dismissal date or from the foreclosure completion date to apply for the Homebuyer Assistance Program.

12. If homebuyers choose to sell the home, they are responsible for repayment of the loan and any accumulated interest to the County. Also, if the homeowner dies, the successors, Trust or other legal entity that is in possession of the home is responsible for repayment of the loan and any accumulated interest to the County. However, the loan is not required to be repaid to the County if the home is sold to an income-qualified buyer who meets all program criteria and executes a new mortgage and note. If the home is sold to an income-qualified buyer who has not received assistance under the Homebuyer Assistance Program, the income-qualified buyer may apply for a new loan in full amount of the existing County mortgage. The buyer must meet Program Loan Limits and Underwriting Criteria and buyer can only apply for a County loan in a loan amount equal to or less than the existing loan amount. The existing mortgage and note with the prior owner will be cancelled and a new mortgage and promissory note in such a case with the new owner will be issued and recorded.

XIV. Homebuyer Education & Counseling

All qualified homebuyers in the Program will be required to take an approved homebuyer training and counseling course such as the *E-Home America* online training or another course provided by a qualified provider. Homebuyer training and counseling will also include 1 to 2

hours of in-person training in Los Alamos. The counseling will ensure the selected household gain a strong understanding of Program. Homebuyers counseling will help guide the approved applicant so they understand the end-to-end process for home purchase including assembling needed documentation, applying for the loan, home inspection, closing the purchase, issuance and recording of final documents, and complying with the terms of any mortgage and promissory note which mortgage shall include any other agreement(s) which the County may require. As part of the counseling services, homebuyers will gain basic financial training to help them establish a monthly household budget. Counseling will also advise homebuyers that mortgage loans should be of an amount, interest rate, and terms which they can comfortably afford, pay back, and avoid foreclosure; the maximum loan amount offered to them may not necessarily be financially suitable for them; and that private mortgage insurance should be avoided where possible.

XV. Financial Assistance

Very Low income households are defined as those earning between 30 and 49.9% of Area Median Income (AMI), and *Low income households* as those earning between 50% and 80% of AMI, as adjusted by size of household and as defined by the Department of Housing and Urban Development. Those households with annual income between 30 and 49.9% AMI qualify for a 0% deferred payment loan; 50%-59.9% of AMI qualify for a 1% deferred payment loan from the Program; those households with annual income between 60%-69.9% of AMI qualify for a 1.5% deferred payment loan from the Program; and those households with annual income between 70%-79.9% of AMI qualify for a 2% deferred payment loan from the Program. Interest charged is simple interest.

Program funds applied to down payment assistance shall be as follows:

A. Loans:

1. Must meet the very low to low income eligibility requirements
2. Must own and occupy the property as long as the debt is outstanding

Terms: 0% to 2% interest depending on annual income category.

Repayment is due in full whenever one or more of the following occurs:

- The borrower(s) sell the property;
- The borrower dies;
- The borrower(s) no longer occupy the property due to the following situations:
 - The borrower moves out of the subject property, continues to own the subject property and rents the property to a tenant
 - The borrower moves out of the subject property, continues to own the subject property and someone other than the owner of record occupies the property
- 3. If the borrower(s) wishes to add another household member entity to the property title other than which was originally on title at the time the down payment assistance

loan was signed, then new information about household income and other information necessary for meeting program preliminary eligibility criteria will need to be provided to Program Staff. If all criteria are met for preliminary eligibility, the borrower and additional household member information will be presented to the Loan Review Committee and County Manager for preliminary approval to add the household member. Program Staff will request additional information from the borrower as determined necessary by Program Staff, Loan Review Committee and County Manager and a full application to the Program may be required.

B. Program Limits and Restrictions:

Minimum loan amount shall be no less than \$8,000.

The costs of the required primary lender appraisal must be paid for by the applicant.

PROCEDURES

The Homebuyer Assistance Program Procedures below explain the step by step tasks and methods which are required to be performed for each major stage of the Program by County staff or Program Representative. The Program procedures will ensure the Program is administered consistent with the Program Policies and in a clear and efficient manner.

In the case that the Program is being administered by the County and not by an external entity, any contractor services anticipated to be required on a recurring basis will be acquired through the County's procurement process. Such services include and are not limited to credit reporting agency services, inspections, titling, etc.

PROCEDURE 1: Submission of Application

Summary

Application procedure for the Homebuyer Assistance Program. In general, application packets will be made available on a first come, first serve basis at the CDD offices and also through designated Program partners if applicable

Position

Program Specialist, Housing Manager or other Program Official/Designee

Action

1. Applicant contacts the CDD or Program partner and requests information on the Homebuyer Assistance Program.
2. Program Representative provides the applicant with the descriptive information (eligibility requirements, etc.) of the Program by one the following:
 - a. Application packet is available for pick up by applicant.
 - b. Mail application packet to applicant.
 - c. Direct applicant to website to download application materials.
3. Program Representative explains to all persons interested in applying for the Program that they must meet with Program Staff before they begin filling out the application. The Program Representative will also explain that program records are subject to the State Inspection of Public Records Act (IPRA) and that certain information submitted by applicants may be also be subject to disclosure. The following documentation must be submitted by the applicant in order to be considered for the program:
 - a. Program Application filled out and signed by all parties that are to be on title to the property.
 - b. Applicant(s) shall provide *Proof of Household Income* to include but not be limited to the following:

- i) Copy of three (3) most current pay stubs from all household members 18 years of age or older;
 - ii) Copy of current years Social Security Benefit Statement, Disability Benefit Statement, Retirement/annuity Benefit Statement, Court Ordered Child Support, Alimony and Divorce Decree or other supplemental income;
 - iii) Copy of two (2) most current Federal Tax Returns for all household members 18 years of age or older;
 - iv) Copy of three (3) most current bank statements for all household members 18 years of age or older, if required to file;
 - v) Copy of three (3) most current financial statements which include all other assets owned by the applicant including checking, savings, Certificates of Deposit, stocks, bonds, retirement accounts, trust accounts or any other assets from which the applicant may derive income;
 - c. Purchase agreement, if one has already been executed.
 - d. Prequalification letter from lender and/or lender package including underwriting analysis if applicable and/or credit report.
 - e. Home inspection report, if one has already been prepared.
 - f. Appraisal, if one has already been prepared.
 - g. Any other information that program staff determines necessary or relevant to the processing of the application.
4. An applicant who has not previously received a loan from the County's Homebuyer Assistance Program and whose application was rejected may re-apply for the program after one year.
5. If the applicant is an employee of the County, of one of the LRC members, or of a non-County entity administering the program:
- a. All LRC members and any non-County entity administering the program and attending the loan review meeting for the application will be read a statement by the LRC Chair or Acting Chair that they are subject to the Code of Ethics as found in the County Code of Ordinances.
 - b. Any LRC member or non-County entity administering the program and attending the loan review meeting for the application who employs the applicant or who believes they may have a conflict of interest will recuse themselves from voting on the application.

PROCEDURE 2: Determination of Applicant Eligibility

Summary:

Procedures used to review the application and applicant's eligibility for participation in the Program

Position:

Program Specialist, Housing Manager or other Program Official/Designee

Action:

1. Review application and attached documentation for eligibility based on household income, assets, and other program parameters.
2. Program staff will meet with the applicant upon receipt of the application, verify the applicant's eligibility for the program and explain how the Program and process works. For applicants who are determined ineligible for the Program, program staff will provide a letter explaining the applicant is eligible and the evaluation criteria that were not met.
3. Verify that the applicant has provided copies of all required documentation pertaining to ownership and income as identified in the Program's Policies and Procedures.
4. Complete the Income Certification Form based on the submitted documentation for income and assets to determine the total anticipated annual household income and percentage of Los Alamos County median income.
5. Annual income will be estimated using current income information from paystubs, benefit statements, etc. If future raises or increases in income are known in fact, they will be applied to current income, in order to estimate future income. Any current overtime or compensation pay will be projected forward assuming the same proportional rates. Interest and dividend income from checking and savings accounts, stocks, bonds, and Certificates of Deposit, will be applied to income, along with any self-employment income, and net earnings from business. If self-employed, the employer portion of social security taxes paid is not counted as income. Interest or dividend income re-invested in any retirement accounts will not be considered as income.
6. Re-qualification prior to closing is required under the following circumstances:
 - Material changes to household size
 - Material changes to income
 - Six month expiration of initial qualification
 - As required by Program Staff

7. An applicant who received a letter they do not meet eligibility criteria may request a meeting with program staff for staff to explain in person why the applicant was determined not eligible. The applicant will be permitted to submit any required information that was not provided in the applicants' initial application. Program staff will review the application again and issue a second letter to applicant explaining whether or not they meet the preliminary eligibility criteria.
8. Where program staff can prove in the application review process there has been falsification or inaccurate data or information provided, there is grounds for immediate disqualification of the application.

PROCEDURE 3: Establishing Project File for Each Applicant

Summary:

Procedure for beginning a new project file for qualified applicant

Position:

Program Specialist, Housing Manager or other Program Official/Designee

Action:

1. Staff receives the approved application and documentation from applicant. Staff creates an applicant file utilizing the appropriate check list, labels, section and title as established for the program.
2. Staff verifies that the applicant(s) have given written permission to secure a credit report and other required verification (signature on second page of application).
3. Review the title commitment provided by the title company.
4. A Credit Report is requested for all applicant household member age 18 and older using the name, address and social security number(s) listed on the application and/or on their individual tax returns. Credit reports will be obtained using data from Trans Union, Experian and Equifax. A copy of the credit report will be placed in the project file. Credit Report run by lender may be utilized.
5. Program Staff will conduct a review of title commitment to check for any recorded liens against the property. If a recorded lien is discovered, program staff will determine what appropriate action to be taken, if any.
6. Program Staff will conduct a review of all information on the credit report to determine applicant's existing debt and applicant's payment history. The credit report will be used to verify the following minimum information.
 - Information regarding collections and judgments against the applicant
 - Bankruptcy information, if any
 - Ownership of any properties
 - Existing debt

Any credit concerns shall be analyzed by Program Staff and used to evaluate the application and will be disclosed by the Loan Review Committee. Program Staff review any potential problems/ issues pertaining to the applicant's credit report and/or title commitment for the property the applicant proposes to purchase. Information obtained from these reports and income and asset certification, etc. shall be used to determine eligibility of the applicant and advise County staff to proceed to the next step in the application process or advise the applicant in writing of their ineligibility.

7. Obtain the appraisal required by the lender for the proposed purchase of the property and use this appraisal to determine if the property is eligible and if underwriting criteria are satisfied. A copy of the appraisal will be placed in the applicant file.
8. Input the application relevant information into the established program tracking database, put applicant file together and assign file number.

PROCEDURE 4: Homebuyer Education and Counseling

Summary:

Procedure for Homebuyer Education and Counseling

Position:

Program Specialist, Housing Manager or other Program Official/Designee

Action:

1. Homebuyer training packet prepared including necessary informational and instructional materials. Homebuyer training will be arranged and will include a training such as E-Home America online training or another suitable provider. Homebuyer training will also include 1 - 2 hours of in-person training in Los Alamos.
2. Training is effectively designed and conducted to ensure that homebuyers:
 - a. Understand the end-to-end process for home purchase including assembling needed documentation, applying for a loan, home inspection, closing the purchase, issuance and recording of final documents, and complying with the terms of any mortgage and promissory note, which mortgage shall include any other agreement(s) which the County may require.
 - b. Establish a monthly household budget and manage the budget.
 - c. Understand that mortgage loans taken should be of an amount, interest rate and terms which they can comfortably afford, pay back, and avoid foreclosure; the maximum amount loan offered to them may not necessarily be financially suitable for them.
 - d. Understand basic home maintenance and repair and responsibilities of a homeowner.
3. Course must be completed prior to closing. If more than 12 months have passed since the Homebuyer attended a homebuyer training course, the Homebuyer must take the course again.
4. Homebuyers are provided a test to complete which they must pass to be awarded a printed certificate. The test will be provided in English.

PROCEDURE 5: Home Inspection Process

Summary:

Procedure for initiating the Home Inspection to determine property eligibility

Position:

Program Specialist, Housing Manager or other Program Official/Designee

Action:

1. Contact the applicant/owner to schedule the home inspection.

For any proposed homes for purchase:

2. A home inspection by a certified home inspector will be required as a condition of financing.
3. The home inspection report will be reviewed by Program staff. The review will determine if the home is adequate in terms of number of rooms, bedrooms, and overall square footage per person per program standards. In addition, the review of the report will enable program staff to identify if there are existing inadequate conditions which represent an immediate threat to occupant's health, safety and welfare. A qualitative assessment will be made by Program Staff of the homeowner's ability to afford to pay for the needed improvements identified in the home inspection report.

The review of the home inspection report and the qualitative assessment will be used by Program Staff and the Loan Review Committee as part of the evaluation of the application.

Home inspections by Program Staff are not intended to replace a separate home inspection by a licensed and bonded Home Inspector by the Applicant. **The inspection by Program Staff is not a guarantee or warranty of the Property's condition, functionality, habitability, workmanship, roof, structure, mechanical systems, sewer and water systems, foundation, location, or environmental condition.** All home inspections and forms will contain a similar statement to this disclaimer.

PROCEDURE 6: Loan Determination & Approval

Summary:

Procedure for Loan Determination & Approval

Position:

Program Specialist, Housing Manager or other Program Official/Designee, County Manager

Action:

1. a. Perform household budgeting exercise with prospective homeowners and translate into an affordable mortgage amount based on current rates and terms.
b. Review the application for preliminary determination of the financial assistance needed for the down payment based on the information obtained from the applicant file and down payment amount needed based on mortgage lender requirements.
2. Program staff shall review the application and recommend to the Loan Review Committee (LRC) that the application be approved or denied.
3. The LRC shall meet to review the loan application, consider the recommendation of staff and the LRC and will vote and issue its decision at the meeting. Staff will record the LRC decision in writing and forward a summary of the applicant's loan application and the LRC recommendations by email to the County Manager.
4. The County Manager will review the Loan Review Committee' recommendation and reply to Program Staff with County Manager's decision.
5. Program Staff shall input the applicant information into program tracking database, notating the decision of the County Manger as approved or denied. Any additional conditions placed on the loan as agreed upon by LRC and County Manager will be placed in the case file. Examples of conditions of loan approval would be applicant agreement to consolidate existing credit card debt and to achieve a repayment plan with the IRS for overdue income taxes. Other conditions may be required on a case-by-case situation.
6. Program Staff shall issue an approval or rejection letter to applicant based on Loan Review Committee recommendation and final decision from County Manager.
7. If the loan application requires conditional approval, it will require approval from the Loan Review Committee and County Manager. Subsequently, if program staff determines loan conditions have been met, program staff will inform the LRC, and a second LRC meeting will not be held unless requested by the LRC for the LRC to also determine loan conditions have been met. If a second LRC meeting is held, program staff will contact the County Manager to ask if the County Manager wishes to review the loan application and second time. If the County Manager wishes to review the loan

application a second time, program staff will forward a summary of the applicant's loan application and the LRC recommendation to the County Manager for the County Manager to review and provide a recommendation.

8. An applicant may appeal an adverse decision by the LRC to reject a loan application on the grounds that the LRC did not review all required application information or review and/or analyze the application information correctly. The appeal must be submitted within 30 days of the date the rejection letter was received by the applicant. Review of the appeal will be based on the 'denied' loan file and whether the review and denial was somehow not in accordance with Program Policies and Procedures. The appeal will be accepted by Program Staff and then presented to the LRC for review within 30 days from the receipt of the applicant's appeal. The LRC will issue a letter of its decision to approve or deny the appeal and underlying application. Program Staff will then forward that decision to the applicant and emailed to the County Manager. The LRC decision letter will explain the reasons to deny or approve the application including such as, for example, whether an applicant had falsified documents or records, whether the applicant failed to provide necessary/required documents, etc.

PROCEDURE 7: Loan Closing Preparation

Summary:

Procedure for Loan Closing Preparation

Position:

Program Specialist, Housing Manager or other Program Official/Designee

Action:

1. Meet with first mortgage lender upon approval of down payment assistance loan and prior to loan closing, to coordinate funding timing and closing requirements, including acceptable funds transfer methods.
2. Prepare the following loan documents, based on the approved loan determination:
 - a. Down payment Assistance Mortgage
 - b. Closing Disclosure
 - c. Promissory Note
 - d. Loan Set-up formCounty Attorney will review Closing Disclosure form, Mortgage documents and Promissory note prior to end of Program design phase.
3. Coordinate the loan closing with the homebuyer, lender, and title company. Prior to the loan closing taking place, Program Staff shall obtain the certificate of Homeowner Property Insurance which names the County (as the project lender) as the second mortgagee or additional insured on the actual policy.

PROCEDURE 8: Loan Closing with Homebuyer

Summary:

Procedure for Loan Closing with Homebuyer

Position:

Program Specialist, Housing Manager or other Program Official/Designee

Action:

1. Staff shall explain the following closing documents with the borrower(s), answer any questions and obtain required signatures:
 - a. Down payment Assistance Loan Mortgage
 - b. Closing Disclosure
 - c. Promissory Note

Obtain a copy of the borrower(s) current identification for the homebuyer file (may be obtained at application submittal). Note: Program Representative must be absolutely clear in explaining that the mortgage and note is a recordable instrument and will result in a recorded lien against the property and that the lien will remain on record until such time as the loan is paid in full.

County Attorney will review Closing Disclosure form, Mortgage documents and Promissory note prior to end of program design phase.

2. Program Representative shall summarize the Los Alamos County Mortgage and Promissory Note with the borrower(s), answer any questions and obtain required signatures on the document.

Note: Staff shall be thorough in describing and explaining the mortgage and note which secures the down payment assistance to ensure that the borrower(s) is confident and knowledgeable relating to all of the loan documents and their obligations to which he/she/they are agreeing to. Program Representative shall explain the terms of the loan, when the loan is due and payable, and applicable interest, if any. Program Representative shall address each document, answer any questions and ensure that all applicable documents are properly executed, witnessed and notarized as required.

3. Title company shall make copies of all documents and provide the borrower(s) with a complete set of executed loan closing documents. All original documents with the exception of the Promissory Note and the Mortgage shall be placed in the homebuyer file. Copies of the Promissory Note and Mortgage will be placed in the Program file in a secure location administered by the Program Representative.

4. After closing, the title company shall record the mortgage and note originals. Copies of the recorded mortgage and note shall be placed in the Program file. If a non-County entity is contracted to administer the Program, then two sets of recorded mortgage and note shall be made and one set placed in each of non-County entity and County Program file.
5. Coordinate transfer of down payment assistance funds to title company. For transfer of funds from the County's Finance Department to the title company, program staff shall provide the Finance Department a copy of the County Manager's written approval of the loan amount as well as a copy of the County mortgage with County signatures.

PROCEDURE 9: Foreclosure Notices

Summary:

Procedure for Foreclosure Notices

Position:

Program Specialist, Housing Manager or other Program Official/Designee, County Attorney

Action:

1. Staff shall review all foreclosure notices to determine action to be taken. Action to be taken will be to contact the County Attorney's office for further processing.

PROCEDURE 10: Bankruptcy Notices

Summary:

Procedure for Bankruptcy Notices

Position:

Program Representative, County Attorney

Action:

1. Program staff shall, upon receipt of a Bankruptcy Notice contact the County Attorney's Office. Program Staff will review the type of bankruptcy and determine if it includes the down payment assistance loan. Regardless of whether the bankruptcy includes the down payment assistance loan, the County will file a claim to preserve County rights.

PROCEDURE 11: Loan Payoff

Summary:

Procedure for the processing of Loan Payoff on Down Payment Assistance Loans

Position:

Program Representative, County Attorney

Action:

1. Staff, upon receipt of a request for Loan Payoff, provide the Lender and/or Owner of the property with the requested pay off information using email or U.S. Mail.
2. Staff shall address the actual Loan Payoff receipts in accordance with the Loans and Underwriting Policies and Procedures as previously approved.

PROCEDURE 12: Loan Subordinations

Summary:

Procedure for the processing of Loan Subordinations

Position:

County Staff

Action:

1. Staff shall address all Subordination Requests pertaining to County-financed Down payment Assistance Loans. All requests will be forwarded to the Housing and Special Projects Manager. The County will consider subordination requests only for refinance of the borrower's first mortgage and under these circumstances:
 - Applicant will meet same underwriting criteria as when County loan was first approved.
 - Lien position of County is in same or advanced position.
 - Total loan-to-value (LTV) will not exceed 100%.
2. Staff will email and/or fax the Lender the Subordination Policy for down payment assistance mortgage loans. The Lender will be instructed to provide all information required to satisfy the subordination requirements detailed in the mortgage.
3. Staff shall, upon receipt of the Subordination Package from the Lender, review and analyze the documentation to determine if the request meets the subordination requirements of the mortgage. If it does, County staff will sign the prepared subordination agreement.

Approved Subordination Agreement, shall be email/faxed to the Lender and the original Subordination Agreement will be delivered (as specified by the Lender) to the Lender for the signature from the Owner and the Lender will be responsible for the recording of such document. A copy of the subordination agreement will be attached to the recorded mortgage until a recorded copy is received. The recorded copy will eventually be attached to the recorded mortgage.

PROCEDURE 13: Reporting

Summary:

Procedure for reporting on each application for down payment assistance

Position:

Program Representative

Action:

1. Provide a post-closing loan report for each home and deliver by email to County's Program Manager.
2. Provide project status updates both verbal and written on a monthly basis, or as requested by County.
3. Coordinate reporting, scheduling, and assignments between stakeholders to ensure each project remains on schedule.
4. Produce annual statements for homeowners from master spreadsheet including amount of principal and accrued interest, to be mailed out by County.

All reporting documentation provided by the Program Representative to the County will be in a format agreed upon by the County and Program Representative.

PROCEDURE 14: Annual Verification of Occupancy

Summary:

Procedure for verifying occupancy of homes purchased with assistance under this program. This will be completed on an annual basis.

Position:

Program Specialist, Housing Manager and/or County Staff from other departments

Action:

1. To verify whether the program participant homebuyer is occupying the purchased home as a primary residence (per program affordability controls i.e. for as long as the loan funds are unpaid and outstanding) County staff will perform an annual check of information sources. If another entity is contracted by the County to administer the program, the entity will assist staff with this annual check.
2. Staff annual check of information sources may include, and will not necessary be limited to, tax assessor records and utility bills. Staff will, if needed, explain to home owner or occupant that the annual check of information sources is described in the recorded down payment assistance loan mortgage documents.