

DOWN PAYMENT AND CLOSING COSTS ASSISTANCE  
1<sup>st</sup> HOME

Program Master Manual  
For HOME Consortium Members

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

through  
St. Louis County  
Office of Community Development

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Revised March 19, 2009

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## **About the Down Payment and Closing Costs Assistance (1<sup>st</sup> HOME)**

The 1<sup>st</sup> HOME program is a zero percent interest down payment and closing cost loan program for low- to moderate-income home buyers purchasing their first home in one of the member jurisdictions of the St. Louis HOME Consortium (the Consortium). Current members participating in this program are St. Louis County, Florissant, St. Charles City, O'Fallon, Wentzville, St. Charles County and Jefferson County, known also as "Member".

In an effort to significantly increase the ability of first-time low- and moderate-income homebuyers to purchase a home, the Consortium, through the St. Louis County Office of Community Development makes zero percent down payment and closing cost funds available to these homebuyers. To qualify, homebuyers must provide at least \$500 of their own funds toward the down payment and/or closing costs (including funds paid outside of closing).

The second mortgage loan is forgivable over a period of five years\*. Borrowers will be required to execute a Note and recorded Deed of Trust to secure the second mortgage loan.

The second mortgage loan may be prepaid at any time without penalty.

\*O'Fallon, St. Charles City, and St. Charles County loans are due upon sale, with zero percent interest.

## **CONTACT FOR QUESTIONS**

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

St. Louis County - OCD  
Darlene Rich  
Housing Programs Manager  
121 S. Meramec, Suite 444  
Clayton, Missouri 63105  
(314) 615-4592

## **Homebuyer Counseling Agency Eligibility Requirements**

**All Homebuyer Counseling Agencies must meet the following requirements:**

1. The Homebuyer Counseling Agency must be certified by the U.S. Department of HUD.
2. The Homebuyer Counseling Agency must be a not-for-profit corporation and hold a 501(c)(3) determination letter.
3. The Homebuyer Counseling Agency must have a minimum of three (3) years experience in the procurement and counseling of clients for the purchase of a home.
4. The Homebuyer Counseling Agency must maintain a minimum of \$500,000 in liability insurance and indemnify St. Louis County against any and all future claims.
5. The Homebuyer Counseling Agency must have qualified and experienced staff appropriate to its client load.
6. The Homebuyer Counseling Agency must maintain a minimum of \$30,000 in a line of credit or fund balances.
7. The Homebuyer Counseling Agency must report on their methods of outreach to residents and tenants of public and manufactured housing and to other families assisted by public housing agencies on quarterly report forms.

**Homebuyer Counseling Agencies must sign an affidavit attesting that they meet the above requirements.**

**The Consortium through St. Louis County Office of Community Development reserves the right to reject any or all requests from homebuyer counseling agencies for participation in this program.**

## Program Loan Terms & Conditions

### SECOND MORTGAGE LOAN:

1. A first-come, first-served second mortgage loan program administered by Participating Homebuyer Counseling Agencies.
2. Homebuyers must provide at least \$500 of their own funds toward the down payment and/or closing costs (including funds paid outside of closing). **NEW!**
3. Second Mortgages may be used for down payment assistance and closing costs associated with the purchase of the home. Reimbursement of prepaid expenses is eligible, however there is no “cash back” to the borrower.
4. Eligible applicants may borrow a fixed amount of:
  - \$3,000 in St. Louis County
  - \$3,500 in Florissant
  - \$10,000 in Jefferson County
  - \$10,000 in St. Charles City
  - \$10,000 in O’Fallon
  - \$10,000 in Wentzville
  - \$10,000 in St. Charles County (\$7,500 in Lake St. Louis)
5. The interest rate is 0%.
6. The Second Mortgage loan term is a five-year forgivable loan for St. Louis County, Florissant, Jefferson County, and Wentzville. The Second Mortgage loan term is due upon sale for O’Fallon, St. Charles City, and St. Charles County. Second Mortgages may be prepaid any time without penalty.
7. All Second Mortgages are not assumable, are due upon sale, transfer, or other disposition of the property (including any involuntary transfer by or as a result of foreclosure or judicial sale or operation of law), refinance or satisfaction of the first mortgage loan.
8. Standard hazard insurance must be for the amount of the Second Mortgage as well as the Primary Loan and Member must be included as an insured second mortgage.
9. The mortgage title insurance policy must include the Second Mortgage as a valid lien against the property subordinate only to the first mortgage. Member must be included as an additional insured on the tile insurance policy.
10. Underwriting of the Second Mortgage must meet the requirements of the Primary Loan.
10. The Second Mortgage must meet Federal Truth-in-Lending Disclosure requirements and any other applicable state and federal lending regulations.
11. The Second Mortgage may be subordinated to any new or additional debt, including the refinance of the first mortgage loan within the policy instituted by the HOME Consortium member.

## PRIMARY LOAN:

In addition to the terms and conditions provided below, Participating Homebuyer Counseling Agencies will make every effort to provide favorable and affordable terms to borrowers.

1. Must be a FNMA approved conforming level one or level 2 fixed rate program, FHA or VA program, MHDC program, or **approved** lender portfolio program.
2. Term must be at least 10 years; no negative amortization.
3. APR must be the same as on other primary loans offered by Participating Homebuyer Counseling Agency.
4. Combined Loan to Value may not exceed 105% for any primary loan (110% for FHA 203(k)); St. Louis County has set a maximum combined loan to value of 105% subject to FNMA, FHA, VA, MHDC or portfolio loan guidelines to the contrary.

## **Borrower Eligibility Requirements**

### **Underwriting Guidelines**

Underwriting standards applicable to the Primary Mortgage Loan shall apply except that the sum of all financings cannot exceed 105% of the combined loan to value (110% for FHA 203(k)) subject to the guidelines of the Primary Mortgage Loan.

### **Income Guidelines**

To be eligible for this program, an applicant's annual household income must not exceed 80% of the area median income for the St. Louis MSA as determined by the Dept. of HUD. Verification of income should be completed using HUD's Income Calculator Part 5 Annual Income.

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

### **Definition of First-Time Home Buyer**

To qualify for a Second Mortgage Loan, the purchaser must meet the definition of a first-time homebuyer.

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

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

Exceptions to the rule:

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

### **Definition of Present and Non-Present Ownership Interest**

Applicants who hold or have held one of the following forms of present ownership interest in his or

her principal residence within the past three years would not be considered a first-time home buyer.

#### Present Ownership Interest

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

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

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

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

#### Non-Present Ownership Interest

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

#### **Persons who are Separated or Legally Separated**

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

For mortgages secured by properties in the State of Missouri where a married person is the sole

mortgagor, Missouri law outlines the spouse's right to title. To secure an enforceable Deed of Trust, the following applies.

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

**1. Sign the Deed of Trust**  
**or**

**2. Waive their marital rights, which must be accomplished by ALL of the following:**

- a. Signing an "Assent of Marital Interest" or "Waiver of Marital Rights."**
- b. Referencing the waiver in the Deed of Trust's vesting.** The vesting should be worded to this effect: "\_\_\_\_\_, a married person pursuant to the Assent of Marital Interest dated \_\_\_/\_\_\_/\_\_\_ and recorded on \_\_\_/\_\_\_/\_\_\_ as daily number \_\_\_\_\_."
- c. Recording the Waiver of Marital Rights.** The Waiver must be recorded in front of the Deed of Trust or the Deed must be re-recorded. The vesting must include the Waiver's recording information.

### **Applicants Who Own/Owned Rental Property**

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

- a. They did not live in any of the rental property for which they held ownership interest any time within the last three years;
- b. A mortgage interest deduction was not taken as a person deduction on Schedule A of their federal tax returns; or
- c. A real estate tax deduction was not taken as a personal deduction on Schedule A of their federal tax returns.

### **Owner-Occupancy Requirements**

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

Mortgagors may NOT rent, sell, assign or transfer the residence as long as the second mortgage loan exists on the property.

The following will not be considered to be a principal residence and will not be eligible for Second Mortgage loan funds:

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

### **Residence Eligibility Requirements**

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

**Residence** - real property and improvements thereon consisting of:

1. a single-family detached building,
2. rowhouse,
3. townhouse,
4. ½ duplex,
5. condominium, or
6. any one- to four-family building.

To be owned by the Mortgagor which:

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

**A residence located within a 100-year flood plain must carry flood insurance with St. Louis County Office of Community Developed added as an additional insured.**

Flood plain zones are as follows:

<u>Zone</u>	<u>Definition</u>
A	Areas of 100 year flood: base flood elevations and flood hazard factors not determined..
AO	Areas of 100 year shallow flooding where depths are between one and three feet; average depths of inundation are shown, but no flood hazard factors are determined.
AH	Areas of 100 year shallow flooding where depths are between one and three feet; base flood elevations are shown, but no flood hazard factors are determined.
A1-30	Areas of 100 year flood, base flood elevation and flood hazard factors determined.
A99	Areas of 100 year flood to be protected by flood protection system under construction; base flood elevation and flood hazard factors not determined.
B	Areas between limits of the 100 year flood and 600 year flood; or certain areas subject to 100 year flooding with average depths less than one foot or where the contributing drainage is less than one square mile; or areas protected by levees from the base flood.
C	Areas of minimal flooding; outside the limits of the 100 year and 500 year flood.
D	Areas of undetermined, but possible flood hazards.
X	Areas of 600 year flood; areas of 100 year flood with average depths of less than one foot or with drainage areas less than 1 square mile; and areas protected by levees from 100 year flood.
X	Areas determined to be outside 500 year flood plain.

Therefore, if a property is located within Zone A, AO, AH, A1-30, A99, B, C, or X the property would be considered an eligible property. For properties in Zone D, or in areas that have not been mapped, the Agency must obtain prior approval for the property from OCD.

## **Mobile Homes**

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

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

must be placed on a permanent foundation,

must be taxed as a single family residential home under the real estate tax rolls and

must be insured as a regular single family dwelling under sections of the act by HUD/FHA, FmHA, VA or, if the loan is conventional, FNMA eligible.

## **Properties which have been Inherited**

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

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

## **Sweat Equity**

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

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

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

## **Buyers Paying for Repairs**

Buyers may NOT pay more for the property than the appraised value.

Therefore, if the contract sales price and the appraised value are the same, the buyer may not pay for any repairs that are required on the appraisal. This includes repairs which were required as a result of an inspection required by the appraiser.

- An exception is if the buyer is paying less than the appraised value and the repairs plus the sales price does not exceed the appraised value (110% for FHA 203(k)).

## Second Mortgage Loan Requirements

### Loan Closing

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

The home mortgage (first mortgage loan) must:

be held in fee simple title;

be secured by a mortgage creating a first lien on a residence which is located in St. Louis County;

be fully documented and underwritten in accordance with prudent industry standards in GNMA, FNMA, FHA, VA, MHDC, or approved portfolio loan acceptable form;

be made for the purpose of purchasing the residence and not for the purpose of refinancing or replacing any existing loan on any such property (other than a construction loan or similar temporary financing);

have a fixed term of at least 10 years and bear a specific interest rate (no negative amortization).

The second mortgage will:

be secured by a mortgage creating a second lien on the residence;

have a fixed 5-year term;

have forgiveness provisions at the end of the term for St. Louis County, Florissant, Wentzville, and Jefferson County.

be due upon the sale or transfer of the property in St. Charles County, St. Charles City, and the City of O'Fallon.

### Use of Second Mortgage Loan Proceeds

Funds may be used for the following purposes:

Down payment

Closing costs

Reimbursement of prepaid expenses

**Note:** There is no “cash back” to the borrower. To the extent that funds advanced by the borrower plus the first and second mortgage amounts exceed amounts required at closing, lender will reduce the first mortgage principal at closing. Any funds advanced by the borrower must be documented.

### **Allowable Fees**

No fees may be charged for the Second Mortgage Loan.

### **Hazard Insurance**

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

St. Louis County, / Jefferson County, / Florissant, /or etc.  
c/o “HOMEBUYER COUNSELING AGENCY”  
“AGENCY ADDRESS”  
St. Louis, MO “ZIP”

### **Title Insurance**

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

### **Note and Deed of Trust**

The documents provided with this manual are to be used and cannot be substituted with other forms.

### **Signed Borrower’s Information Form**

Borrower’s must complete and sign form verifying occupants, income and employment.

### **Request for Notice of Sale Under Deed of Trust**

The Request for Notice of Sale is to be recorded with the Deed of Trust. A sample form is included in this manual, however Agencies may use their own form. The address to be inserted on the form for delivery of notice is:

“HOMEBUYER COUNSELING AGENCY”  
“AGENCY ADDRESS”

St. Louis, MO “ZIP”

### **Co-Signers and/or Co-Borrowers**

Co-Signers are acceptable if they are acceptable to FHA, VA, or FNMA.

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

Co-Borrowers must live in the property.

Co-Borrowers:       Must be a first-time homebuyer.  
                              Must occupy the property as their principal residence for the duration of the second mortgage loan.

### **Loan Purchasing Procedures**

#### **Delivery Procedures**

The loan package will be delivered to the Office of Community Development **no later than 30 days** after the loan closing:

Office of Community Development  
121 S. Meramec, Ste. 444  
Clayton, MO 63105  
ATTN: Katrina Sommer

Loan files will be reviewed within 5 business days of receipt.

If a file is found to be incomplete, a representative of the Agency will receive an email requesting the documentation needed to clear the loan for purchase. Loans will not be purchased until document discrepancies or omissions are resolved. If missing or corrected documentation is not received within 30 days of notice, the file will be returned to the agency.

Documents should be Accu-fastened, top to bottom in the order specified below, into a manila file folder. Please label the file folder tab with the borrower’s name and property address.

#### **Documents**

The following documents are required to complete the file:

- Payment Request Form
- Copy of front and back of check for DPA, check register, or verification of wire transfer
- Invoice

- Project Completion Report\*
- Loan Commitment
- HUD-1 Settlement Statement
- Commitment for Title Insurance(with “St. Louis County – OCD or Member” named as additional Insured)
- Copy of Evidence of Hazard Insurance (with “St. Louis County – OCD or Member” named as additional Insured)
- Certificate of Occupancy – from St. Louis County Public Works Department or Member building code enforcement office. **All new occupants should be listed on the Certificate of Occupancy.**
- Visual Lead Assessment or Letter from St. Louis County Public Works Department or Member building code enforcement office
- Lead Clearance test if applicable
- Residential Appraisal Report (1<sup>st</sup> 2 pages)
- Fully executed sales contract
- Signed Borrower’s Information Form\*
- Request for notice of sale under deed of trust\*
- Income Documentation on all occupants over the age of 18 that are NOT full time students
  - Previous year’s W2
  - 2 most recent pay stubs
  - Part 5 Annual Income worksheets \*
    - Annual Income Totals
    - Asset Totals
    - Summary
- Original Note\*
- Certified Deed of Trust \*
- Signed recapture policy statement\*
- Approved Reservation form from Member
- Signed Closing Certification from Buyer(s)

\*forms can be found on web at <http://www.stlouisco.com/plan/ocd.html>

### **Final Document Delivery**

All final documents must be delivered to St. Louis County **within 30 days** of loan closing. Documents should be forwarded to:

St. Louis County  
Office of Community Development  
Attn: Katrina Sommer  
121 S. Meramec Ste. 444  
St. Louis, MO 63105

An Outstanding Documentation Report will be sent to participating Agencies on a regular basis.

## **Reporting Requirements**

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

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

**Release of Second Mortgage Lien for  
St. Louis County, Florissant, Wentzville, and Jefferson County**

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

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

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

- a. an unsecured promissory note equal to the amount released from the Second Mortgage.
- b. a modification agreement that reduces the secured debt of the existing Second Mortgage by the amount of the new unsecured promissory note.

**Release of Second Mortgage Lien for  
O'Fallon, St. Charles City, and St. Charles County**

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

1. Payment in full of the outstanding principal of the Second Mortgage loan.

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

- a. an unsecured promissory note equal to the amount released from the Second Mortgage.
- b. a modification agreement that reduces the secured debt of the existing Second Mortgage by the amount of the new unsecured promissory note.

**Attached documents**

**Can be found on the web at**

<http://www.stlouisco.com/plan/ocd.html>

**Most are fillable forms**

## FY 2009 Income Limits Summary

### St. Louis, MO-IL HUD Metro FMR Area

FY 2009 Income Limit Area	<u>Median Income</u>	FY 2009 Income Limit Category	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
St. Louis, MO-IL HUD Metro FMR Area	\$67,900	<u>Extremely Low (30%) Income Limits</u>	\$14,250	\$16,300	\$18,300	<b>\$20,350</b>	\$22,000	\$23,600	\$25,250	\$26,850
		<u>Very Low (50%) Income Limits</u>	\$23,750	\$27,150	\$30,550	<b>\$33,950</b>	\$36,650	\$39,400	\$42,100	\$44,800
		<u>Low (80%) Income Limits</u>	\$38,000	\$43,450	\$48,850	<b>\$54,300</b>	\$58,650	\$63,000	\$67,350	\$71,700