

# HOME FAQ

Q1 – Why are buyers required to take funds from their 401K retirement savings?

**A1 – A 401K retirement account is but one example of an asset that an applicant may have available to them that could be readily liquidated to assist the applicant to acquire real property. Additionally, prior to committing HOME funds (24 CFR §92.250) the HAP is required to evaluate each individual applicant’s financial need and to ensure that only the minimal amount of HOME funds that is necessary to provide affordable housing is provided.**

Q2 – Will the associated taxes be counted for early withdrawal from the 401K accounts?

**A2 - The HAP cannot offer financial or legal advice. We suggest that you contact an expert. Financial penalties for early withdrawals and/or liquidating accounts are the responsibility of the applicant(s). No hardship withdrawals are required by the HAP. The HAP may require an applicant who is claiming a hardship to provide verifiable evidence in support of the claim.**

Q3 – Why are there so many inconsistencies in processing files?

**A3 - The HAP follows the same processing procedures. However, each individual homebuyer’s financial information and mortgage needs are unique to that applicant. Hence, all file reviews and subsidy layering analyses are unique to that applicant.**

Q4 – Can you provide a breakdown of what is included and what is excluded from the maximum 25% assistance allowed?

**A4 – Yes, see chart below.**

INCLUDED CONCESSIONS	EXCLUDED CHARGES
Earnest Money	Home Service Warranty
Option Fee	Owner Title Policy
Application Fee Paid Outside of Closing	Seller Settlement Charges
Credit Report Paid Outside of Closing	Survey Paid by Seller
Appraisal Fee Paid Outside of Closing	Buyer Settlement Charges that were not Paid Outside of Closing.
Survey Paid Outside of Closing by Borrower	
POC (B) Paid Outside of Closing by Borrower	
POC (L) Paid Outside of Closing by Lender	Attorney Fees
POC (S) Paid Outside of Closing by Seller	Document Prep Fees
Lender Credits	
Seller Credits	
Other 3 <sup>rd</sup> Party Credits	
Cash from Borrower @ Closing	

Q5 – Why do you count earnest money, pre-paid closing costs, closing costs paid by the buyers, or 3rd party contributions?

**A5 – Prior to committing HOME funds (24 CFR §92.250) the HAP is required to evaluate each project to ensure that only the minimal amount of HOME funds that is necessary to provide affordable housing is provided.**

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Q6 – Why does the amount of assistance change throughout the process?

**A6 – The HAP conducts an initial subsidy layering analysis to determine the minimal amount of HOME funds needed. When any of the parties (lender, seller, and/or buyer) make adjustments to the HUD-1 for example, prior to the HAP issuing its final approval, the HAP must recalculate the HOME subsidy amount.**

Q7 – Who prepares the household budget?

**A7 – The applicant in consultation with their selected HUD-Approved Homebuyer Counseling Agency will develop a detailed household budget reflecting the applicant’s financial resources, monthly household expenses including their new mortgage payment.**

Q8 – How long is the budget valid?

**A8 – 90 days.**

Q9 - Does the budget need to be updated? If so when?

**A9 –Yes. Prior to HAP final approval, the HAP staff will verify the budget preparation date, if it is more than 90 days old, the applicant will asked to submit an updated budget.**

Q10-Can the City streamline the process?

**A10 – On average, the HAP processes files within 10 business days of receipt. The processing time is delayed anytime lenders fail to submit accurate and complete files.**

Q11– Why was the levels of assistance changed?

**A11 – HUD determined that the HAP has not complied with the HOME Subsidy Layering requirements (24 CFR §92.254). The HAP cannot provide a standard amount to its applicants. The level of assistance must be based on need and only the minimal amount of HOME funds can be provided.**

**The level of assistance must be determined based on individual need. The HAP must conduct a Subsidy Layering Analysis to determine the need. Based on the results of the analysis HAP may only provide no more HOME funds than is necessary. To further ensure that no household is over subsidized the HAP will conduct a Subsidy Layering Analysis for all applicants regardless of the funding source.**

Q12 – Can lenders get a procedure manual detailing the various requirements?

**A12 – Yes, when the revised HAP Policies and Procedures Guidelines are finalized and approved by HUD, the HAP will prepare a manual for its participating partners.**

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Q13 – Can you explain subsidy layering?

**A13 – Subsidy Layering is a HOME program statutory requirement. Basically, what it means is that the HAP must evaluate each individual homebuyer's financial ability to acquire an affordable housing unit and, ensure that the HAP does not invest more HOME funds than is necessary to provide affordable housing.**

**The HAP will review annual income (including assets), monthly household expenses, PITI and all concessions involved in each individual transaction to determine the "gap" and to determine if the gap amount needed is reasonable. The minimum HAP investment is \$1,000.00.**

Q14 – When will the City determine an exact amount of assistance?

**A14 – Prior to the HAP issuing its final approval for closing the HAP will conduct a final review upon receipt and review of the final HUD-1 and all other required closing documents to determine if there have been any changes made that will alter the initial preliminary determination of assistance. If changes are identified on the final HUD-1, the initial amount of assistance will be adjusted.**

Q15 – How will I know how much assistance I qualify for if I meet all the guidelines for HAP?

**A15 – Upon completion of the preliminary Subsidy Layering Analysis conducted by the HAP (initial file review), the HAP will notify the Authorized Lender of the preliminary amount of assistance. The Authorized Lender will then notify the Applicant(s). Any monetary changes on the final HUD-1 before closing will require the HAP to adjust the level of assistance so that HAP does not over subsidize the applicant.**

Q16 – Will Applicants with front ratios less than 28% receive less assistance than Applicants with higher front ratios?

**A16 – No. The HAP will conduct a Subsidy Layering Needs Analysis, based on the results of the analysis the HAP will determine the minimal level of assistance needed without creating an over subsidy situation in compliance with the HOME regulations.**

Q17 – Since HUD will publish the maximum purchase price and it shall not exceed 95% of area median purchase price what is the maximum purchase price?

**A17 – The Maximum Sales Price established by HUD is \$136,000 for Existing Homes and \$195,000 for New Construction. See [www.hud.gov](http://www.hud.gov) for more information on HOME Homeownership Value Limits.**

Q18 – When did the new changes become effective?

**A18 – The New 2013 HOME Final Rule became effective August 24, 2013. The HAP has until January 24, 2014 to implement written Policies and Procedures to address the New 2013 HOME Final Rule.**