

Section III. Program Procedures

A. Program Set-up and Project Initiation

The following steps are suggested procedures to assist Subrecipients with compliance under the HOME Investment Partnerships 24 CFR Part 92 regulations and AHFC program requirements. These are not required steps and Subrecipients are welcome to modify their procedures to meet the needs of their community within the parameters of Section I and Section II of the HOP Policy and Procedure Manual.

Step 1) Pre-disbursement Documents

Complete all AHFC pre-disbursement documents as outlined in your grant agreement, including Affirmative Marketing and Outreach Requirements identified in this Policy and Procedure Manual.

Step 2) Internal Policies

Develop all internal policies and procedures outlined in this Policy and Procedure Manual including:

- a) Waiting list and application acceptance procedures;
- b) Appeals policy;
- c) Procurement policy;
- d) Drug-Free Workplace policy;
- e) Principal Buy down policy;
- f) Liquid Asset Limitation; and
- g) Financial procedures.

Step 3) Programmatic Development

Develop all forms and collect necessary programmatic information and certifications:

- a) Application forms;
- b) Income verification forms and calculation sheets, in addition to materials provided in this Manual;
- c) Filing checklists;
- d) Marketing materials, informational brochures (lead-based paint brochures) etc.;
- e) Obtain Airport Clear Zones (Civil), Accident Potential Zones (Military) and Flood Plain Maps for your community;
- f) Complete the online lead based paint visual assessment test;
- g) Prepare letters from your organization for compliance with the Voluntary Relocation Act, Airport Clear Zone, Lead-based Paint and Floodplain Management regulations;
- h) Prepare program approval and rejection letters;
- i) Line-up inspectors that understand the HOP Property Standards and create materials to inform homeowners about inspections;
- j) Develop information for lenders and real estate agents to assist them in understanding the program;

- k) Prepare HOP loan closing instructions that stipulate applicable HOP provisions (no cash back to borrower, instructions pertaining to loan document execution, and request for any documents necessary for Project Close-Out); cash back to the borrower in excess of \$100.00 must be returned to AHFC;
- l) Contact AHFC to line-up HomeChoice Classes in your community or other housing counseling programs; and
- m) Complete Affirmative Marketing and Outreach requirements identified in Section II. G. of this Policy and Procedure Manual.

Step 4) Applicant Eligibility

Determine the applicant's (homebuyer's) eligibility for HOP assistance in accordance with the following criteria:

- a) The applicant intends to occupy the property to be purchased as his/her primary residence by obtaining a written certification from the applicant that the property proposed to be purchased will be owned and occupied by the applicant as his/her primary residence.
- b) Determine that the applicant does not currently, or will not at the time of HOP loan closing, own any other residential property.
- c) The applicant(s) is income-eligible utilizing the "annual income" definition and verification methods identified in Section II, A. 2) of this Policy and Procedure Manual.
- d) The applicant is not delinquent (in arrearage) on any child support obligation. The Subrecipient must send AHFC Form #UND-22 to the Child Support Enforcement Division to verify this fact. This is required by Alaska State Law on all AHFC loans.
- e) Inform the homebuyer about the HOP Property Standards, the including lead-based paint and Subrecipient inspections requirements. Additionally, inform homebuyers about the restrictions on purchasing renter-occupied homes.
- f) The applicant is a United States citizen or a permanent resident-alien, SOA resident.
- g) Specifics of the program occupancy requirements, Note terms, and Subordination Policy (HOME Form #1) should also be reviewed.

Step 5) Primary Loan Qualification

Upon determination that the applicant is eligible for HOP assistance in accordance with Step 4 above, the Subrecipient shall direct the applicant to a primary mortgage lender, if they have not already been pre-qualified for a loan.

The primary lender shall determine the eligibility of the applicant in all other primary loan eligibility requirements, i.e., credit worthiness, employment and income stability, required cash availability (for cash requirements not to be paid with HOP funds), etc. Additionally, the primary lender, in consultation with the Subrecipient, shall determine the most advantageous primary loan program available to the homebuyer and the amount of the primary loan for which the applicant qualifies.

The lender's front end and back end ratios should not include the HOP Assistance when the household is initially approved. Therefore, if the person only qualifies to buy a house for \$60,000 and there is no

housing in the community in this price range then this homebuyer may need \$30,000 in principal buy down assistance to afford a \$90,000 home. The lender's estimates should reflect this need for principal buy down subsidy. If the person qualifies for \$170,000 dollars then the lender can not qualify them for \$180,000 house just because they believe they will receive \$10,000 in HOME assistance.

The primary consideration with regard to primary loan selection should be the interest rate to be charged on the primary loan. For instance, a tax-exempt (first time homebuyer) loan should be selected over a "taxable" loan program in cases where the applicant and transaction qualify for this loan type. Additionally, the primary lender should ensure that all applicable interest rate reduction incentives are selected in conjunction with the primary loan type, i.e., interest rate reduction for low income borrowers program, and energy efficiency rate reduction, if applicable.

AHFC and USDA have several programs which are compatible with the HOP. For more information, contact the AHFC Mortgage Department at (907) 338-6100, or if outside Anchorage: 1-800-478-2432.

Step 6) Feasibility Determination

- a) Upon confirmation from the primary lender of the applicant's qualification for a primary loan and the qualifying loan amount (based on applicant's income and other qualifying considerations), the Subrecipient shall determine whether it is reasonable to expect that the applicant can complete a purchase transaction.
- b) The Subrecipient should obtain documentation from the primary lender of the applicant's debt ratios (housing ratio, total debt ratio, and minimum debt ratio). The Subrecipient must determine the applicant's conformity with HOP Program policies, ability to meet home-mortgage debt obligations, and the relative need for the HOP Program.

This determination shall consider the amounts of all available funds at the disposal of the applicant (primary loan funds plus any secondary loan funds, including HOP funds, available, and other funds being contributed by the applicant or other known funding sources). Additionally, the Subrecipient shall consider whether the total amount of funds available to the applicant is adequate to complete a purchase transaction, given the types and prices of homes available in the Subrecipient's service area.

- c) Upon the Subrecipient's determination that the transaction is reasonably feasible, the Subrecipient must provide adequate counseling to the applicant regarding funding limitations, qualifying purchase price, and future funding processing and requirements.

Step 7) Property Standards

- a) Upon identification of the property to be purchased by the applicant (Seller's Occupancy Certification, execution of a sales agreement, or tentative execution conditioned on property standards inspection/compliance), the Subrecipient must inspect the property and determine that it is an eligible property in accordance with the eligibility criteria identified in Section II, pages Policy and Procedure Manual (including all lead-based paint requirements, the home

inspection, BEES, and Voluntary Sale Disclosure letter provided to current owner, evidence property is not in an airport clear zone, floodplain and any other requirements).

- b) The Subrecipient shall obtain a copy of the preliminary title insurance commitment from the lender to ensure proper vesting and property legal description is used to draft the HOP loan documents.

Step 8) Homebuyer Counseling

Upon completion of Step 4, the Subrecipient (in conjunction with the primary lender, if applicable) shall ensure that the applicant attends at least eight (8) hours of homebuyer counseling. Documentation of attendance must be included in the Project File.

Step 9) Assistance Agreement

Upon completing Steps 1 through 8, the Subrecipient may commit HOP funds to the applicant by completing and executing the Assistance Agreement (HOP Form #4). Both the Subrecipient and the homebuyer must execute this agreement. The Subordination Policy (HOME Form #1) should be provided to every homebuyer in conjunction with the Assistance Agreement.

When completing this agreement, the Subrecipient must complete all applicable sections, including general project information requested in paragraph one, amount of HOP funds being committed to the homebuyer and signatory sections.

In paragraph 1. on page 1, the Subrecipient may indicate “unknown” if a specific property to be purchased has not yet been identified.

In section 3(a), the maximum commitment period may not exceed 180 days from when the Subrecipient initially determined the income eligibility of the homebuyer. In the event that the transaction is not completed within 180 days from the Subrecipients determination, the eligibility of the homebuyer must be re-determined. A new Assistance Agreement must be executed.

Step 10) Project Approval

- a) Following the execution of the Assistance Agreement and identification of the property to be purchased, the Subrecipient shall submit the following project documentation to AHFC for approval:

Documentation Submitted to AHFC for Project Approval

- i. Assistance Agreement
- ii. Environmental Review Record and Supporting Documentation (Determination of Exemption and Categorical Exclusion)
- iii. Earnest Money Agreement
- iv. Good Faith Estimate of Settlement Costs
- v. Project Payment Request Form
- vi. Project Set-up Form
- vii. Executed HOP Form #8 Seller’s Occupancy Certification

- viii. HOP Form #9 Voluntary Sales Disclosure and evidence of delivery by signature or a certification of hand delivery.
- ix. Executed HOP Form #10 Appraised Value Receipt Certification (AHFC may conditionally approve a project if the appraised value is not yet available with initial project set-up)

Additional Documentation for New Subrecipients or Employees

- x. Income calculation worksheet
 - xi. Lead-based paint visual assessment, if applicable
 - xii. Copy of the Subrecipient inspection
- b) Upon review of the above information, AHFC will approve or deny the application, or if applicable, request additional information determined to be necessary to evaluate the proposed project. This decision shall be in writing, and shall include: If denied, the reason for denial. Applications which are denied by AHFC may be resubmitted by the Subrecipient, provided that the resubmission contains new or additional information or explanations necessary to satisfy the deficiencies noted by AHFC in the initial submission. If approved, the HUD IDIS project number will be issued and provided to the Subrecipient.

Step 11) Project Revision

Subject to available Subrecipient funding, the Subrecipient may request a HOME project funding commitment revision after initial approval, but prior to HOME loan closing. Revisions should only be requested in cases where changes have taken place regarding purchase conditions and/or primary loan financing availability. Subrecipients should look first to the availability of alternative funding, including buyer funds, to make up any funding shortfall.

If approved by AHFC, the Subrecipient must submit a new Assistance Agreement and obtain the required signatures from the HOP borrowers. Appropriate documentation for the project revision must be maintained by the Subrecipient in the Project File.

Step 12) Loan Closing

- a) Following AHFC approval of the HOP project, the Subrecipient shall work with the primary lender as may be necessary, to facilitate the processing and approval of the primary loan(s). Upon approval of the primary loan(s) necessary to complete the purchase transaction, and scheduling of the loan closing date, the Subrecipient may submit a completed Project Payment Request Form for HOP funds which have been approved for the project.
- b) The disbursement of HOP funds may not be requested more than 90 days in advance of the scheduled loan closing date.
- c) The Subrecipient shall ensure that the HOP Note and HOP Deed of Trust are drafted and executed in accordance with the HOME Loan Processing Guide. The Subrecipient shall provide the escrow closing agent an original HOP Note, HOP Deed of Trust, and Subordination Agreement (HOME Form #1) which must be executed by the HOME-assisted homebuyer at the

time of closing. Subrecipients are cautioned to use the correct HOME loan amount on the HOP Note and Deed of Trust, especially in those cases where a project revision has been approved. The Subrecipient shall also require that the escrow agent provide an Alta Title Insurance policy for the HOP Note and Deed of Trust.

- c) At the time of the loan closing, no cash may go back to the borrower; the Subrecipient must ensure that HOME funds in excess of \$100.00, are returned to AHFC. HOME loan documents must reflect the adjusted amount of HOME funds invested in the property. In those instances where the excess funds are LESS than \$100.00, HOME loan documents do not need to be amended and the funds do not need to be returned to AHFC.

Step 13) Project Completion

- a) The Subrecipient shall close the HOP project by submitting the following documentation within 15 calendar days of the primary and HOP loan closing; extensions may be granted for good cause.

Project Close-out Documentation

- i. Original HOP Note
 - ii. Conformed Copy of HOP Deed of Trust
 - iii. Pictures of the property
 - iv. Original Assistance Agreement, if not submitted when approved
 - v. Executed Subordination Agreement
 - vi. Original HOP loan Alta Title Insurance Policy
 - vii. A check for any unexpended HOP funds not disbursed for this project
 - viii. Final Settlement Statement
 - ix. Project Completion Form
 - x. HOME Loan Processing Guide checklist (at specific request of AHFC)
- b) AHFC may request that the Subrecipient submit a completed and signed copy of the HOME Loan Processing Guide with project close-out under the following instances: the Subrecipient has significant staff changes or AHFC has requested loan modification or corrective documents on open projects.
 - c) Refer to Section II. E. 6) for policies pertaining to repetitive and/ or unresolved deficiencies in loan documents.

B. Program & Project Files

1) *Administrative Records*

Administrative Records must include:

- a) A copy of the Subrecipient Grant Agreement
- b) Any approved amendments to the Grant Agreement

- c) A copy of all applicable insurance
- d) All correspondence regarding HOP administration with AHFC
- e) A copy of all monitoring reports from AHFC and Subrecipient responses
- f) Applicable records supporting requests for waivers of the conflict of interest prohibitions identified in 24 CFR Part 92.356
- g) HOP Policy and Procedure Manual and any amendments
- h) Subrecipient's procurement policy
- i) Subrecipient's appeals policy
- j) Subrecipient's principal buy down policy
- k) Subrecipient's waitlist, waitlist policy and application acceptance procedures
- l) Policies regarding any additional loan ceilings or limitations above and beyond those that are required in this Policy and Procedure Manual
- m) Subrecipient's annual Affirmative Marketing Plan and documentation of all media tools used for program solicitation
- n) Copies of all annual and quarterly reports submitted to AHFC
- o) HOME Investment Partnerships beneficiary data on race, ethnicity, and household type and other applicable data collected for IDIS
- p) MBE/WBE plan and documentation of outreach steps
- q) Drug-Free Workplace policy
- r) All contractor licenses and Federal Debarment check
- s) Lead-based paint visual assessment certificate
- t) Runway clear zone and floodplain records and maps

2) Financial Records

Financial Records must include:

- a) Administrative costs summary and supporting data
- b) Copies of all administrative payment request forms
- c) A summary of all program costs, support by any relevant data
- d) Records demonstrating adequate budget control, in accordance with 24 CFR 85.20, including evidence of periodic account reconciliation
- e) Records demonstrating compliance with applicable uniform administrative requirements
- f) Records identifying the source of any repayments, unexpended, or recaptured funds to AHFC

3) Project Records (REVISED 2012)

A separate file shall be maintained for each project; each file shall include the following. Any variation in the organization of the files should be documented in the Subrecipient's own Policy and Procedures Manual and provided to AHFC. All files of one program should follow the same organization.

Project Records must include:

- a) A file checklist created by the Subrecipient
- b) Homebuyer application

- c) HOP Form #2 Authorization for Release of Information
- d) Inspection records
- e) Income calculation worksheet
- f) AHFC Form #UND-22 or the Verification Form #04-0950 (no past due child support)
- g) BEES certification, if applicable
- h) HOP Form #8 Seller's Occupancy Certification
- i) HOP Form #9 Voluntary sales disclosure **and evidence of delivery by signature or a certification of hand delivery.**
- j) HOP Form #10 Appraised Value Receipt Certification
- k) The Lender's Fannie Mae Form 1008, or USDA's Eligibility Summary Sheet
- l) Copy of the appraisal
- m) Addendums to the purchase agreement
- n) FINAL Settlement Statement (HUD-1)
- o) Copy of earnest money agreement
- p) Documentation of visual assessment, if applicable
- q) Verification of delivery/receipt of Lead-based paint pamphlet, if applicable
- r) Property location map
- s) Property legal description
- t) AHFC project approval
- u) Copy of the HOP Note
- v) Project payment request forms
- w) Copy of the Good Faith Estimate
- x) Executed Subordination Agreement
- y) Certification that it meets the model energy code, if applicable
- z) Copy of fully executed sales agreement
- aa) Environmental Review Record
- bb) Photographs of the property (front, back, and side)
- cc) Copy of the HOP Alta Title Insurance policy
- dd) Documentation that it meets the manufactured housing standards, if applicable
- ee) Assistance Agreement
- ff) Project set-up form
- gg) HOP Deed of Trust
- hh) Project completion form
- ii) Income eligibility verification documents
- jj) Verification that the Homeowner's Insurance Policy has AHFC listed as a loss of payee.