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# **NEIGHBORHOOD STABILIZATION PROGRAM DOWN PAYMENT CLOSING COST ASSISTANCE PROGRAM GUIDELINES**

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## **NEIGHBORHOOD STABILIZATION PROGRAM (NSP)**

### **Down Payment and Closing Cost Assistance Program Program Guidelines**

The Prince George's County Neighborhood Stabilization Program (NSP) Down payment and Closing Costs Assistance Loan Program (DPCCA) is funded by the NSP grant program. NSP was established under Title III of Division B of the Housing and Economic Recovery Act of 2008 (HERA) to provide emergency assistance to States and units of local governments for the purchase and redevelopment of abandoned and foreclosed homes.

The DPCCA program will provide down payment and closing cost assistance to eligible homebuyers to purchase a foreclosed, residential property in Prince George's County.

#### **Definitions of Foreclosed Properties**

In accordance with HUD Notice dated April 9, 2010, FR Vol. 75, No. 68, the definition of Foreclosed Properties is amended to include the following:

- (a) Vacant, properties where the foreclosure sale has been ratified by the Court.
- (b) Properties with a current delinquency status of at least 60 days\* on any mortgage AND the owner has been notified of this delinquency. The NSP loan application must include a lender statement confirming the 60 days delinquency at the time of contract ratification. An updated lender statement confirming the 60 days delinquency status at the time of settlement must be provided to NSP within 10 days of settlement.
- (c) Short Sale Properties: Proof of 60 days or more delinquency, a copy of the short sale application, and documentation of all lenders' acceptance of the short sale terms must be submitted with the NSP application.

#### **Applicant Eligibility**

Applications will be accepted with no discrimination as to race, color, religion, creed, national origin, sex, marital status, physical or mental disability or sexual orientation.

Applicants must be 18 years of age or older.

Applicants must be first time homebuyers and must not have owned residential real estate anywhere during the three years immediately preceding the date of their mortgage application. (Investors or current owners of residential property are excluded from participation in this program).

Applicants must agree to live in the home being purchased as their principal residence.

Applicants must have an annual household income that does not exceed DPCCA Program limits (see Applicant Income below).

Applicants must be able to qualify for a first mortgage through a **Participating Lender**, in order to purchase the home.

Applicants must contribute a minimum amount of cash towards the purchase of the home (see Purchaser's Minimum Cash Requirement below)

Applicants must attend an 8-hour housing counseling class provided by a HUD Certified housing counseling agency and receive a Certificate of Completion.

Applicant must have an eligible ratified Contract of Sale on a foreclosed property in an eligible zip code.

### **Income**

Applicants for DPCCA must have gross annual household incomes at or below 120% of the area median income, adjusted for family size. An income chart is provided as Attachment A. Annual household income is defined in 24 CFR 5.609, and is referred to as "[Part 5 annual income](#)." The Part 5 definition of annual income is the gross amount of income of all adult household members that is anticipated to be received during the coming 12-month period. Complete information can be found at [www.hud.gov/offices/cpd/affordablehousing/training/web/calculator/definitions/part5.cfm](http://www.hud.gov/offices/cpd/affordablehousing/training/web/calculator/definitions/part5.cfm), including whose income to count, the types of income to count, and the treatment of assets (in general, an asset is cash or a non cash item that can be converted to cash. It is the income earned from the asset - not the value of the asset - that is counted).

To assist in determining if an applicant is eligible, HUD has provided an income calculator, which can be found at <https://webapps1.hud.gov/hfc/calculator>. The Step by Step method must be used to determine eligibility.

### **Debt-To-Income Ratio**

A maximum total debt -to-income ratio of **45% for borrowers with household income at or below 60% of the Area Median Income is required** **A maximum total debt-to-income ratio of 50% for borrowers with household of 60%-120% of the Area Median Income is required.**

### **Property Eligibility**

#### ***Location***

The prospective property must be a vacant foreclosure, short sale or 60 days delinquent residential structure located within one of the following (33) zip codes:

20607, 20608, 20705, 20710, 20715, **20716**, 20720,20721, 20613, 20722, **20743**, 20623, 20735, 20740, **20747**, **20744**, 20769, 20770, 20781, 20782, **20783**, 20784, **20785**, **20706**, 20707, **20708**, 20712, 20745, 20737, **20746**, **20748**, **20772**, **20774**.

**Of the 33 zip codes above the following are considered Target Zip Codes:**  
**20716, 20743, 20747, 20744, 20783, 20785, 20706, 20708, 20746, 20748, 20772, 20774**

### Property Type

The prospective property must be a vacant foreclosure, short sale or 60 days delinquent residential structure including single family dwelling units, townhouses and condominiums.

### Purchase Price

The purchase price of the prospective property must reflect a minimum **1% discount from the appraised value of property**, determined by an appraisal completed **within 60 days of the contract's final offer.**

### Physical Standards

The home to be purchased must meet minimum FHA Housing Standards as determined by the FHA Appraisal. Deficiencies identified in the FHA Appraisal must be corrected prior to closing and reflected in FHA Compliance Inspection Report (HUD -92051), or the costs of repairs escrowed by the lender, through mechanisms such as a 203k loan. In addition, the buyer must procure a home inspection performed by a MD licensed Home Inspector. Deficiencies identified by the home inspection that are an eminent threat to life, health and safety, as determined by NSP staff must be corrected prior to settlement.

### Lead Based Paint

The NSP Program is subject to the Lead Based Paint Poisoning Prevention Act (42 U.S.C. 4831 et seq.) and the Lead Based Paint Regulations (24 CFR Part 35 and 24 CFR Section 570.608). All NSP assisted purchases for residential properties must have an NSP Lead Disclosure Form signed by both buyer and seller and must be included in the Participating Lenders Transmittal of the NSP Application Package to DHCD.

### DPCCA Loan Amounts

Under the NSP DPCCA program, the County will provide loans for closing costs and to meet the minimum down payment required to comply with the underwriting regulations governing the type of first trust loan approved to purchase the property.

NSP DPCCA will lend to the purchaser of a vacant foreclosure, short sale or 60 days delinquent property in one of the 33 eligible zip codes, 3.5% of the purchase price **or** \$15,000, ***whichever is less.***

NSP DPCCA will lend to the purchaser of a vacant foreclosure, short sale or 60 days delinquent property in one of the 12 Target Area zip codes (highlighted above), 7% of the purchase price **or** \$20,000, ***whichever is less.***

NSP DPCCA will lend to the purchaser of a vacant foreclosure, short sale or 60 days delinquent property in one of the 33 eligible zip codes as work force housing up to 7% of the purchase price or \$20,000, ***whichever is less.*** Workforce housing is defined as vacant foreclosure, short sale or 60 days delinquent properties located in one of 33 zip codes, purchased by teachers, police officers, nurses, firefighters, and employees purchasing a home within a 3 mile radius of place of employment.

**NOTE: Borrowers with household incomes at or below 50% of the area median who purchase a vacant foreclosure, short sale or 60 days delinquent property in one of the 33 eligible zip codes may receive up to \$60,000 in down payment and closing cost assistance. Exact amount approved depends on the following parameters:**

1. Debt to income ratio 40-45 %;
2. Minimum LTV of first trust must be 65%.

**FHA 203K Loan Program Requirements**

For all FHA 203K Loans, the borrower must sign a 203k Loan Addendum to the NSP DPCCA Regulatory Agreement. The Addendum requires NSP DPCCA notification of the final Property Inspection.

**Seller Requirements**

***Closing and Repair Costs***

The NSP DPCCA Loan Program encourages Seller to make a contribution towards Buyer's closing costs and/or repairs to the Property:

For 3.5 % Down payment and Closing Costs purchases: Seller is encouraged to contribute towards Buyer's closing costs and/or repairs to the Property.

For 7% Down payment and Closing Cost purchases: Seller is encouraged to contribute towards Buyer's closing costs and/or repairs to the Property.

**Certification of Property's Occupancy Status**

For vacant, foreclosed properties, seller must certify that at the time of initial contract offer, the property is not lawfully occupied by a tenant, and that seller has not unlawfully evicted a tenant-occupant or refused to renew a lease in anticipation of an initial contract offer where the purchase is to be funded in part by NSP DPCCA funds. These certifications must be stated in an Affidavit signed by the Seller and attached as an addendum to the Contract of Sale. The form for the Affidavit will be provided by DHCD.

**Short sales or 60 day delinquent properties may be occupied by the owner of record only.** If vacant, the seller certification is required. Tenanted short sale or 60 day delinquent properties are ineligible for NSP DPCCA funds.

**Purchaser's Minimum Cash Contribution**

Purchaser's minimum cash contribution toward down payment, pre-paid and closing costs is as follows:

| <b>Purchaser's Income Level<br/>(as % of Area Median Income)</b> | <b>Minimum Purchaser's<br/>Required Cash Contribution*</b> |
|--|--|
| 50% of below   | \$1,000  |
| 60%-80%  | \$1,500  |
| 80-120%  | \$2,000  |

\*Payment of any upfront costs by the purchaser will be credited to this amount.

**Loan Term**

The DPCCA loan term for borrowers receiving up to \$20,000 is 10 years.

The DPCCA loan term for borrowers receiving \$20,001 to \$60,000 is 15 years.

**Interest Rate**

The interest rate will be 0%.

**Primary Residency Restrictions**

The prospective property must be the applicant’s primary residence, for the entire length of the loan term. At closing of the DPCCA loan, the borrower will be required to sign a regulatory agreement and/or declaration of covenants that will be recorded in the land records of Prince George’s County, Maryland.

**Repayment Requirements**

The DPCCA loan will be a deferred payment loan, secured on the property as a second trust, with a balance due upon sale or transfer of the property, or if the property ceases to be the primary residence of the borrower. The amount due will be determined by the length of time the purchaser complies with the primary residency restriction.

The amount of the DPCCA due or forgiven is based on the following:

| <b>Purchaser Remains in Home</b>        | <b>Balance Due<br/>(As % of Total DPCCA Received)</b> |
|---|---|
| Less than 4 years                       | 100%  |
| At least 4 years but less than 6 years  | 50%   |
| At least 6 years but less than 10 years | 30%   |
| 10 or more years                        | 0%  |

**Repayment Requirements for 50% or below AMI borrowers with loan amount over \$20,000:**

| <b>Purchaser Remains in Home</b>        | <b>Balance Due<br/>(As % of Total DPCCA Received)</b> |
|---|---|
| Less than 5 years                       | 100%  |
| At least 5 years but less than 15 years | 70%   |
| 15 or more years                        | 50%   |

### Subordination of First Trust Mortgage

The NSP DPCCA will subordinate to a new first mortgage to allow interest rate reductions or "streamlining" if all of the following conditions are met and the requested information is provided, in writing, to the NSP DPCCA Loan Servicing Manager.

1. The home must continue to be the borrower's primary residence
2. The new first mortgage must be a fully amortized, fixed-rate mortgage. (No adjustable rate interest, interest only or negative amortization loans are acceptable.)
3. **No CASH OUT to the borrower. NSP DPCCA will not subordinate if the borrower is refinancing for the purpose of liquidating equity in the home.**
4. The monthly payment on the proposed new first lien cannot increase more than \$50.00 over the existing monthly payment.
5. The combined loan-to-value ratio of the new first mortgage and existing second mortgage should not exceed the current combined loan-to-value ratio. However, NSP will consider a 3% increase to cover closing costs.
6. All documents received must be consistent in the amounts shown for the proposed loan amount and interest rate. In the event the amount of the proposed new loan is increased or there are any other material changes in your pending transaction after NSP has approved the subordination, we will need to re-analyze the subordination request.
7. NSP DPCCA lien is to remain in second place.
8. The NSP DPCCA loan terms and conditions do not change.
9. NSP DPCCA will not incur any costs related to the refinance of the first mortgage, including but not limited to, costs for courier service.
10. Documentation will be provided that the current appraised value is sufficient to include the new first mortgage as well as the NSP DPCCA lien. This documentation may be a copy of the current appraisal or written verification of the appraised value.
11. The Subordination Agreement document shall include language that the Agreement will be recorded concurrent with the new first mortgage.
12. All documentation is subject to NSP DPCCA approval
13. The following items are required for submission:
  - a. Letter from borrower explaining the purpose of refinance
  - b. Conditional approval (subsequently the final approval) with rate and term of new loan
  - c. Final 1008
  - d. Final 1003
  - e. Final Good Faith Estimate
  - f. Final Truth in Lending
  - g. Appraisal
  - h. A Valid Payoff from 1<sup>st</sup> trust loan

- i. Prelim HUD1
- j. Lender's or Title Company's overnight account number so that original subordination agreement can be forwarded for closing
- k. Title company's name, address and name of a contact person.

14. The Subordination request and supporting documentation shall be forwarded for processing to:

**PRINCE GEORGE'S COUNTY GOVERNMENT  
NEIGHBORHOOD STABILIZATION PROGRAM  
9201 BASIL COURT, Suite 155  
LARGO, MD 20774**

- 15. Review of final HUD 1 by NSP required
- 16. If the subordination request is approved, NSP will prepare the Subordination Agreement, forward the original to the title company and a copy to 1<sup>st</sup> Trust Lender
- 17. Please allow at least twenty one (21) business days for NSP DPCCA processing of the Subordination Agreement

**At the discretion of NSP DPCCA, additional information and/or documentation may be required.**

**See Sample Subordination Agreement at [www.princegeorgescountymd.gov/dream](http://www.princegeorgescountymd.gov/dream)**