

**PINELLAS COUNTY
COMMUNITY DEVELOPMENT DIVISION
Homebuyer Loan Program Underwriting Guidelines**

OVERVIEW

The underwriting guidelines describe program requirements and specify the role of Pinellas County and participating lenders. These underwriting guidelines are designed to determine an applicant's financial capacity for repayment of the down payment assistance and to determine the amount of down payment assistance required. When determining the amount of assistance, which is limited to gap financing, the lender's minimum down payment and reasonable closing costs will be considered.

All information used to make the decision must be supported by written documentation outlined in these guidelines and in conjunction with the HOME regulations at 24 CFR 92.254 and/or SHIP regulations 420.907-9079.

GENERAL REQUIREMENTS

Funding provided will be for down payment and closing cost assistance associated with the acquisition of existing or newly constructed homes. Applications will be reviewed and processed on a first-come; first-qualified basis.

Eligible Applicants

Eligible applicants include households who:

- have an annual income at or below 80% of Area Median Income;
- have a housing debt-to-income ratio that exceeds 25% but is less than 35% and document that the applicant has been provided the maximum first mortgage loan
- have a total debt-to-income ratio of less than 45%;
- qualify for a new, 30-year, fixed rate first mortgage from a lending institution. The first mortgage must include escrows for property taxes and hazard/flood insurance, if applicable. Adjustable rate mortgages, balloon mortgages, mortgage assumptions, and mortgages that include prepayment penalties are not allowed; and
- meet all other requirements, as applicable.

Eligible Properties

Eligible properties include new or existing single-family homes, condominiums, townhomes or a single unit in a Planned Unit Development that:

- serves as the principal/primary residence of the household (rental properties are ineligible);
- are located in an unincorporated area of Pinellas County
- meet HUD's UPCS Quality Standards

Purchase Price Limits

The Sales Price of existing properties may not exceed \$294,601.00; and newly constructed homes may not exceed \$263,000.00 (New construction is defined as properties completed (built) less than one year from the date of the issuance of the Certificate of Occupancy).

DETERMINING HOUSEHOLD CHARACTERISTICS

Household Size

It is essential to accurately determine household size, as program eligibility is “adjusted for family size”. When determining household size, include people that will reside or intend to reside in the household, **except** the following:

- Children who are away at school
- Foster children or foster adults
- Live-in aides
- Guests
- Unborn Children

Pinellas County’s verification of household composition requires copies of social cards for all household members and birth certificates for all children under the age of 18; therefore, unborn children will not be included as household members.

Married Applicants

When the applicant is married and the spouse does not intend to reside in the home, documentation of permanent alternate residence must be provided from the absent spouse (IE: Lease Agreement, photo id and a recent utility bill to verify residency).

INCOME GUIDELINES

Income Verification Method

Pinellas County uses the most common methodology for determining annual income defined in Title 24 of the Code of Federal Regulations, section 5.609 (commonly referred to as 24 CFR Part 5). Always use current circumstances to project income, unless verification forms indicate that a significant change will occur over the next 12-month period.

Calculating Household Income

Income limits vary by family size. When determining household income, all household members are counted, regardless of who is determined eligible/qualified for the first mortgage loan. All household income of persons 18 years and older, who will reside in the property, must be included. Income limits are published annually and are available from the local HUD office or on-line at www.huduser.org.

Household income must be at or below 80% of Area Median Income. See the most current income limits, based on household size below. Current Income Limits **effective 04/01/2021** and are updated annually.

Maximum Income Limits by Family Size	1 person	2 persons	3 persons	4 persons	5 persons	6 persons	7 persons	8 persons
Annually	\$41,350	\$47,250	\$53,150	\$59,050	\$63,800	\$68,500	\$73,250	\$77,950

Co-Borrowers/Co-Signers

All parties who appear on title to the property must meet all criteria of the Program, including income and asset limitations. If the co-borrower does not intend to reside in the home, they are not included in the household size, but the co-borrower's income is included in the annual income calculation.

Income Inclusions

The following shall be included as income:

- (1) The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;
- (2) The net income from operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family;
- (3) Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in bullet two above. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD;
- (4) The full amount of periodic amounts received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a **periodic amount (e.g., Black Lung Sick benefits, Veterans Disability, Dependent Indemnity Compensation, payments to the widow of a serviceman killed in action). **See paragraph (13) under Income Exclusions for an exception to this paragraph;
- (5) Payments in lieu of earnings, such as unemployment, disability compensation, worker's compensation, and severance pay, except as provided in paragraph (3) under Income Exclusions;
- (6) Welfare Assistance.
 - (a) Welfare assistance received by the family.
 - (b) If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:
 - i. The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus
 - ii. The maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph shall be the amount resulting from one application of the percentage.

- (7) Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling; and
- (8) All regular pay, special pay, and allowances of a member of the Armed Forces, except as provided in paragraph (7) under Income Exclusions.

Income Exclusions

The following shall be excluded as income:

- (1) Income from employment of children (including foster children) under the age of 18 years;
- (2) Payments received for the care of foster children or foster adults (usually persons with disabilities unrelated to the tenant family, who are unable to live alone);
- (3) Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains, and settlement for personal or property losses, except as provided in paragraph (5) under Income Inclusions;
- (4) Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member;
- (5) Income of a live-in aide, as defined in 24 CFR 5.403;
- (6) The full amount of student financial assistance paid directly to the student or to the educational institution
- (7) The special pay to a family member serving in the Armed Forces who is exposed to hostile fire (e.g., in the past, special pay included Operation Desert Storm);
- (8)
 - (a) Amounts received under training programs funded by HUD (e.g., training received under Section 3);
 - (b) Amounts received by a person with a disability that are disregarded for a limited time for purposes of supplemental security income eligibility and benefits because they are set-aside for use under a Plan to Attain Self-Sufficiency (PASS);
 - (c) Amounts received by a participant in other publicly assisted programs that are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program;
 - (d) Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the owner, on a part-time basis, that enhances the quality of life in the project. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, and resident initiative coordination. No resident may receive more than one such stipend during the same period of time; or
 - (e) Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training programs not affiliated with a local government) and training of a family member as a resident management staff person. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives and are excluded only for the period during which the family member participates in the employment training program.

- (9) Temporary, nonrecurring, or sporadic income (including gifts);
- (10) Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era;
- (11) Earnings in excess of \$480 for each full-time student 18 years or older (excluding the head of household and spouse);
- (12) Adoption assistance payments in excess of \$480 per adopted child;
- (13) Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump-sum amount or in prospective monthly amounts;
- (14) Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit;
- (15) Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home; or
- (16) Amounts specifically excluded by any other federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the Federal Register and distributed to housing owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary.

Determinations of what are included and excluded forms of income are detailed above and in the Code of Federal Regulation: 24 CFR Part 5. In general, income from all household members are considered regardless of:

- The type of income received.
- Length of time income has been received.
- Whether the household member will take title to the property or be part of the mortgage transaction.
- Whether or not the household member actively contributes to household expenses.

Income Verification

Third-party verifications of income and two months of source documentation, no more than 120-days old, are required. This requirement is often referred to as the “120-day clock” policy, since it refers to the period of time during which third-party income and asset verification forms are considered to be up-to-date and valid. The clock starts when the applicant’s first verification form is received. If more than 120 days lapses prior to assistance being provided, new and updated verification forms must be obtained.

One way to “stop” the 120-day clock prior to assistance being provided is to execute Income Certification form.

Third Party Verifications

Obtain third-party verifications by faxing, emailing or mailing the request to the income source. The form should provide the reason for the request and the signed Authorization to Release statement from the applicant. If the employer or other third-party income source does not return the written verification form, two additional

attempts to obtain the verification must be made by re-sending the form. If all three attempts fail, document the effort. If these attempts fail, source documentation is used to verify income (tax returns, pay stubs and bank statements).

Date stamp each verification upon receipt and compare information on the verification form with information provided on the application and make any necessary notations to enable accurate determination of income eligibility.

Verification of Self-Employment

If an applicant is self-employed, anticipated net income is considered annual income and first-hand documentation is necessary (Source: HUD 24 CFR Section 5.609 Part 5 (b)(2), additional information provided in HUD Handbook 4350.3 Exhibit 15, Section 15-C (H). This is the only instance when net income may be considered instead of gross income for determining eligibility. The applicant's net income is calculated by subtracting expenses from gross income in the same manner permitted by Schedules C, E, or F of the IRS Tax Return Form 1040.

The applicant must provide two years of the most recent tax returns. The applicant should provide year-to-date profit and loss statements, or a quarterly audited statement from an accountant for the previous three months, at minimum. Use the amount of net income from this report to anticipate the amount of income for the business over the next 12 months.

Verification of Child Support

The entire amount of court ordered child support must be included as part of the household income, regardless of whether or not it is regularly received. A divorce decree is a legal document that is sufficient for documenting mandated child support. A household that is not receiving court ordered child support has legal recourse to force payment of the support. Child support can only be omitted as an income source when it has been documented that a household has exhausted all legal attempts to obtain the support.

If non-court ordered child support is being received, it is considered a contribution and is a source of income to be included as household income.

Anticipated Income from Assets

Assets are items of value, other than necessary personal items, and must be considered with the verified income in order to determine the eligibility of a household. All asset income is considered, including asset income of minors. The income that could potentially be earned, or is actually earned, from assets is annualized based on what is anticipated to be received during the 12 months following eligibility determination.

Households with liquid assets greater than \$50,000, do not qualify.

Determining Income from Assets

HUD Handbook has established the following policy:

- If the asset value is \$5,000 or less, total the amount of actual asset income and include this with the total verified anticipated annual income for the household.

- When assets exceed \$5,000, add the greater of 1) the actual income to be derived from these assets, or 2) the total cash value of the assets multiplied by the imputed amount (currently .06%). At no time may the liquid Assets exceed the \$50,000 limit. All non-retirements accounts will be considered.

Certification of Household Income

A signed certification form must be obtained from the applicant in order for the eligibility process to be complete. Staff must not calculate and certify income until all verifications are received. The certification form must indicate the annual household income, family size, and a statement regarding the completeness and accuracy of the information. The income certification form must be prepared by staff and properly executed by the applicant and the housing administrator or local government representative.

DEBT GUIDELINES

Ratios

A percentage comparing a participant(s) total monthly cost to buy a home to monthly income before deductions (mortgage principal and interest, real estate taxes, mortgage insurance and Homeowners Association dues (HOA)). As part of the underwriting process, the applicant file will include the lending product and the maximum ratios for that product. Eligible applicants must have a housing debt-to-income ratio that meets the product guidelines and is less than 35%.

Calculation of Housing Ratio (Front-End Ratio)

Monthly housing expense will be calculated using:

- Monthly principal and interest
- 1/12 the annual hazard, flood, and mortgage insurance premiums
- 1/12 the annual real estate taxes
- Monthly homeowner's association dues, condominium maintenance fees, or other associated fees

Monthly Debt to Income (Back-End)

Total monthly debt is calculated by including regular monthly charges paid by the applicant. They include:

- Monthly housing expense (as calculated above)
- Payments on all revolving/installment debts will be included regardless of balances; unless account is shown as closed on the credit report. Revolving debt examples are credit cards and student loans. Installment debt examples are car payments, student loans, personal loans. Installment debt with less than 10 months remaining will not be calculated in the overall debt-to-income ratio
- Alimony or child support will also be included in overall debt

To determine the debt-to income ratio, divide the total monthly debt by the household's gross monthly income. Households with debt-to income ratios that exceed 45%; do not qualify.

Credit History

Pinellas County does not require a minimum credit score. A credit report will be required for each household member and must be updated if more than 120 days old at the time of closing. The credit report must be provided

by an independent agency and should detail an applicant's credit worthiness. The report should include the account types, the date accounts were opened/closed, credit limits, loan amounts, payment history and account balances.

An applicant who has been credit approved by a First Mortgage Lender will be considered as long as the credit/title search does not uncover any of the following:

- Liens - Applicant may not receive assistance if there are existing mechanic and/or tax liens.
- Foreclosure or Short Sale - Applicant may not have been a defendant in a mortgage foreclosure or short sale proceeding within the past five years, unless the applicant has re-established a positive credit standing. If the foreclosure or short sale resulted in a loss to the Department, applicant is not eligible for assistance for 10 years.
- If the borrower has no traditional credit history, alternate credit methods with a minimum 12-month history may be used. These include, but are not limited to:
 - verification of telephone accounts;
 - verification of utility accounts;
 - verification of auto insurance accounts; to name a few.

LOAN TERMS AND CONDITIONS

Eligible Use of Funds

Funds will be used for down payment and reasonable closing costs only. The buyer may not receive any portion of these funds as cash back (including money paid toward earnest money deposit, application fee, appraisal, etc.)

Loan Amount

The maximum loan amount is up to \$40,000.

Pinellas County will determine the loan amount, or gap financing, by calculating the difference between the home sales price and the base loan amount obtained from the First Mortgage Lender. The first mortgage loan amount must be the maximum amount the applicant is qualified for based on the applicant's debt-to-income ratios and first mortgage loan product. HOME/SHIP(?) funds can be layered with other Down Payment Assistance Programs; however, the loan to value may not exceed 107%.

Borrower Minimum Investment

The household must contribute a minimum of \$1,000 of their own funds to the transaction. The borrower's minimum contribution can include: Earnest money deposit, appraisal fees, home inspection fees, and homeowner's insurance. Each item must be documented on the final Closing Disclosure as paid outside closing (POC).

The payoff of existing debt or collections **may not** be considered as part of the \$1,000 contribution.

Minimum Cash Reserves

Homebuyer(s) must have sufficient cash resources (including savings, checking, money-market, or other non-retirement accounts) such that after closing there are financial resources of at least 1 times the total monthly housing expenses, including principal, interest, taxes, insurance, and any association fees.

HOME/SHIP Subsidy Calculation

HOME/SHIP assistance will be provided after all other forms of down payment and closing costs assistance have been provided. This includes programs such as the Florida Bond/Florida Assist Programs. The shortfall between the lenders’ required minimum down payment amount and these funds, will be the eligible HOME/SHIP assistance amount.

The following example illustrates the cost breakdown:

\$160,000.00	Purchase Price
- 152,000.00	Lending institution first mortgage loan amount (Max loan applicant qualifies for)
8,000.00	Down Payment Required
+ 6,080.00	Estimated reasonable closing costs*
\$ 14,080.00	Total first mortgage estimated down/payment and closing costs
- 1,000.00	County’s Homebuyer required contribution
\$ 13,080.00	Initial gap financing needed
\$ 350.00	HOME Loan Closing Fees
\$ 13,430.00	Calculated HOME funds needed
\$ 13,430.00	Total HOME Down payment assistance loan

*** Lender fees are limited to 4% of the mortgage amount. Fees include loan application fees, origination fees, document preparation fees, broker fees, points, underwriting/processing fees and other similar fees. It also includes yield spreads.**

Loan Terms

HOME/SHIP funds will be provided as a zero percent interest loan, with payments deferred for the first five (5) years of the term of the loan.

Repayment Terms

Loan payments are calculated on the total amount of financial assistance provided. Loan payments are deferred for five years and loan repayment begins in year six. Payments will be amortized beginning in year six according to the repayment schedule below.

Assistance Amount	Loan Terms	Monthly Payment
\$20,000	5-Year Deferral; 20-Year Amortization	\$83.33
\$20,001-\$40,000	5-Year Deferral; 30-Year Amortization	\$111.11

Loan Closing Fees

The following fees are associated with and included in the HOME/SHIP down payment assistance loan:

- Doc Stamps and Intangible taxes, based on final loan amount;
- Recording fees of \$52.50 (5-page mortgage; 1-page Note);
- Title Fees, based on final loan amount

Default Terms

Should any of the following occur during the terms of the loan, the remaining balance is due and payable:

- Sale of property.
- Property is no longer homesteaded, as determined by the Property Appraiser.
- Property has been converted into a rental unit.
- Taxes and insurance are not current.

Loan Eligibility Requirements

Inspection of Properties

Pinellas County will consult with a third-party contractor to conduct required property inspections. After receipt of application from lender and income eligibility verification and program eligibility has been determined by the Department’s loan underwriter, the Department will order an inspection of the property prior to closing to ensure the home meets all program necessary requirements. Pinellas County reserves the right to reject any and all houses that do not meet the necessary program requirements. The cost of the inspection will be included in the loan amount to the borrower.

For newly built properties, a Certificate of Occupancy is acceptable in lieu of the inspection report. The Certificate of Occupancy must be dated within 6 months of closing to be considered.

Housing Counseling

Homebuyers are required to attend an 8-hour HUD approved Homebuyer Education Workshop and a one-on-one Financial Fitness session. A certificate of completion will be required for both, prior to closing. Certificate of Completion is valid for twelve (12) months. The following agencies may offer such courses:

-Bright Community Trust, Inc. Phone: 727-475-1366
- Clearwater Neighborhood Housing Services, Inc. Phone: 727-442-4155
- Consumer Credit and Budget Counseling..... Phone: 866-395-5769
- Tampa Bay Community Development Corporation. .. Phone: 727-442-7075
- Catholic Charities of St. Petersburg Phone: 727-893-1313 x161
- St. Petersburg Neighborhood Housing Services. Phone: 727-821-6897

For a list of HUD approved pre-purchase and post purchase (financial fitness) workshops, please visit: <https://apps.hud.gov/offices/hsg/sfh/hcc/hcs.cfm?webListAction=search&searchstate=fl#searchArea>.

Married Applicants

Pinellas County requires that in the case of married applicants both parties must execute the Pinellas County mortgage regardless of whether or not the spouse intends to reside in the home, or whether or not the spouse is on the title or the lender’s loan application.

Refinancing and Subordination

Pinellas County will not subordinate to predatory, excessive, or junk fees. Pinellas County will charge an administrative fee on all subordination requests prior to the document being available. Only requests that meet the following conditions will be considered:

- The refinancing reduces the annual interest rate of a senior mortgage.
- The refinancing results in a lower monthly payment than the current mortgage.
- The new loan does not include debt consolidation or cash-out to the borrower.
- The new loan is not a Reverse Equity or Adjustable Rate Mortgage.
- The total combined loan to value (all mortgage debt, including the Pinellas County loan balance) must be less than 95% of the property value. Any loan proceeds in excess of \$100 remaining available at loan closing must be applied as a principal-reduction payment to the new loan balance. Lenders may include reasonable and customary closing costs in loan proceeds.

Portfolio management staff will review each subordination or refinancing request to confirm they fall within the terms of the subordination policy. When making a determination on the subordination request, the following information will be required for review:

- Copy of the title commitment
- Copy of payoff letter from existing lender
- Copy of the good faith estimate or draft HUD1 to show closing cost and interest rate
- Copy of appraisal or County staff will review County appraiser records to establish value

FIRST MORTGAGE LOANS

Eligible Loan Types

Fixed-rate, first mortgages with an interest rate that is no more than 1.5% above the “average prime offer rate” reported by the Federal Financial Institutions Examinations Council (www.ffiec.gov).

Hazard/Flood Insurance Requirements

Insurance escrowed in first mortgage loans must include Pinellas County as a lienholder on the policy and the policy must be sufficient to protect the County’s interest in the property. The mortgagee clause is as follows: Pinellas County, ISAOA/ATIMA, 440 Court Street, 2nd Floor, Clearwater, FL 33756.

Fair Housing Act

In accordance with the Federal Fair Housing Act, or Title VIII of the Civil Rights Act of 1968, as amended in 1988. Neither the first mortgage lender, nor County, will discriminate on the basis of race, color, religion, sex, disability, familiar status, age or national origin.

DOWNPAYMENT/CLOSING COSTS ASSISTANCE PROGRAM ADMINISTRATOR

Pinellas County Housing and Community Development
 Community Development Division
 440 Court Street, 2nd Floor
 Clearwater, FL 33756

LOAN APPLICATION SUBMITTAL

Applications must be submitted by the lender. **THE BORROWER MAY NOT APPLY DIRECTLY FOR THIS PROGRAM.** Applications should be submitted to the Community Development Division through the Neighborly Software portal.

Applications will be reviewed and processed on a first-come basis. The application portal is as follows <https://portal.neighborlysoftware.com/pinellascountyfl/Participant>

Applications will be approved for funding on a first-qualified basis. If the first mortgage application is cancelled or the applicant no longer requires County assistance, the lender will need to notify the County as soon as possible. If the applicant decides to purchase an alternate home, for whatever reason, the original application must be cancelled and a new one submitted. Lenders may not charge any origination or other fees to the applicant for the application for or use of County down payment assistance.

FINAL APPROVAL

Upon final approval determination:

- Lender/Borrower(s) receives loan award letter from the County;
- County requests funds for closing (21 days required for processing of the check).
- County submits closing instructions, to the escrow/title company.
- County submits funding, closing package and disclosures to Title Company via courier.

QUESTIONS? Please contact 727-464-8210 to speak to the Down Payment project manager.