

Florida Housing First-Time Homebuyer Bond Program

What is a Bond Program?

The U.S. Congress created tax-exempt bonds, referred to as Mortgage Revenue Bonds (MRB's), to promote affordable housing. Although Congress created MRB's, bond *programs* are actually created by state, regional, county, or city government agencies that are governed by volunteer boards. Because the bonds are tax-exempt, the majority of the program rules are derived from IRS regulations and cannot be changed. Florida Housing Finance Corporation (FHFC) issues bonds that create a pool of funds which buy mortgages that are originated by participating lenders. Participating lenders are approved and trained before they are able to access our program.

The Basics

- This is a first mortgage program that also provides down payment and closing cost assistance in the form of a second mortgage.
- Lenders do not determine the mortgage rate. FHFC determines all terms, rates, amount of assistance, and points (if any).
- Homebuyer education is required (minimum 6-8 hours).
- Buyers must be first time buyers (some exceptions apply).
- Income and purchase price limits vary by county and the number of household occupants.
- The program requires that all borrowers and their spouses provide their past 3 years' tax returns. If tax returns reflect mortgage interest deduction, further review is required to determine first time homebuyer eligibility.
- The buyer must occupy the property as his/her primary residence within 60 days of closing.

Is Bond the same as SHIP or HOME Programs?

No. The FHFC bond program is a first mortgage program that also offers down payment and closing cost assistance. The program provides low cost, first mortgages and down payment assistance to income qualified homebuyers. However, local SHIP and HOME programs may be used to provide additional subsidy for this program.

Advantages for Buyers Using FHFC's Bond Program:

- Buyers do not pay doc stamp or intangible tax on the mortgages or notes.
- Nominal points or origination charges are allowed to be charged to borrowers. Borrowers work with their local lenders who have been trained and approved to participate in the program.
- Buyers are not required to use all available assets in order to qualify.

Allowable Loan Products

Loans must be eligible for sale to Ginnie Mae, Fannie Mae and Freddie Mac. Loans are underwritten to FHA, VA, USDA-RD, and Conventional loan guidelines

Florida Housing First-Time Homebuyer Bond Program

Timing is Everything

Loan Processing, Delivery and Purchase Timetable

- Reservation to Underwriter Certification = 20 days
- Reservation to Closed & Delivered to Servicer = 60 days
- Reservation to Exceptions Cleared, Loan Purchased = 90 days

The Bond Loan Process

1. Lender qualifies buyer for program, takes loan application, and collects 3 years' federal income tax returns for all borrowers and their spouses.
2. Buyer signs Notice to Buyers. Loan officer advises borrower to enroll in a homebuyer education class.
3. Borrower finds a property and signs a real estate contract.
4. Lender processes the loan and reserves funds prior to underwriter certification.
5. After underwriting approval, underwriter completes "Underwriter Certification" in FHFC's online reservation system. Underwriter has 20 days to complete the certification or the loan cancels automatically.
6. Loan is ready to close.
7. At closing, buyers, lender and seller sign the Mortgagor Affidavit. The buyer also signs the Tax Exempt Rider and all applicable mortgages and notes.
8. Lender table funds first mortgage and any second mortgage or program assistance.
9. Lender ships mortgage loan file to US Bank and Compliance file to eHousingPlus.
10. Lender Post-closing staff clears any loan file exceptions, if applicable.
11. US Bank purchases loan with lender receiving service release premium (SRP) of 1.0% of first mortgage principal loan balance.
12. US Bank pools loans into Mortgage Backed Securities (MBS) and submits "Notification of Delivery" (NODs) to FHFC for review.
13. FHFC reviews NODs for accuracy based on the Trustee Instruction Memo for respective bond program.
14. FHFC approves NODs and directs Bank of New York Mellon (Trustee) to purchase MBS pools with bond proceeds.
15. The Trustee purchases these loans and securitizes them with Fannie Mae, Freddie Mac or Ginnie Mae.
16. The Trustee holds the certificates associated with each issue.
17. US Bank continues to service the loans.

What are Some MYTHS Surrounding Bond Programs?

1. Myth: A bond program is only a down payment assistance program.
 - a. *Fact: Florida Housing's First-Time Homebuyer program is a 1st mortgage program that also offers down payment assistance. Borrowers cannot receive down payment assistance without utilizing our 1st mortgage program.*
2. Myth: A Bond program provides a subprime product for buyers with poor credit.
 - a. *Fact: The mortgage is a fully documented loan product, underwritten to Agency guidelines (FHA, VA, USDA-RD, Conventional, etc.) and Florida Housing requires a minimum credit score of 640.*

Florida Housing First-Time Homebuyer Bond Program

3. Myth: Bond program is for low-income buyers only
 - a. *Fact: The income limit for a 1-2 person household is 100-115% of Area Median Income (AMI) and the income limit for 3 or more person household is 120-140% of AMI.*
4. Myth: A bond program slows the closing process.
 - a. *Fact: Florida Housing bond loans should close between 30 – 45 days. Some reasons that may delay closings are the availability of homebuyer education classes, new appraisal reporting systems, and delays in contract negotiations on foreclosures and short sales.*
5. Myth: A bond program forces buyers to live in a home for 9 years.
 - a. *Fact: Homebuyers can sell their homes whenever they choose.*

Frequently Asked Questions

Who can be on the Title, Mortgage, and Deed?

Only first-time buyers (borrowers and co-borrowers) may have an ownership interest (be on the deed, title, mortgage). No third parties (co-signers) may have an interest.

What are Non-Targeted Areas and Targeted Areas?

Targeted Areas are areas that have experienced very low loan originations. Sometimes they are economically distressed. They are deemed Targeted Areas by Housing and Urban Development (HUD) specifically for this program and are identified by census tract numbers. They are very limited. They may not be the same as other Targeted Areas for other programs. The Non-Targeted Areas are all other areas.

Are there benefits to buying in a Targeted Area?

Yes, to increase loan origination in targeted areas, HUD allows for higher income limits and sales price limits and the first time homebuyer requirement is waived.

How long does a bond loan take to close?

This program does not take any longer than an average loan to close, between 30 – 45 days. Some reasons that may hold up closings are the availability Homebuyer Education Classes, new appraisal reporting systems, and delays in contract negotiations on foreclosure and short sales.

Federal requirement on First Mortgage only

-- **Recapture Tax Under certain conditions, buyers may have to repay some of the federal subsidy they received in the form of a federal Recapture Tax. To pay, buyers must meet all three conditions below:**

1. Sell or dispose of property in first, full nine years **AND**
2. Make a net profit **AND**
3. Have income that exceeds Recapture income limit in the year they sell their home.

Florida Housing First-Time Homebuyer Bond Program

What saves a majority of people from paying recapture tax?

Having income that exceeds the Recapture income limit in the year they sell their home. IRS increases the allowable income limits in the program by 5% each year to keep up with cost of living increases. Florida Housing Finance Corporation will reimburse any borrower who has to pay recapture tax, therefore making recapture tax a non-issue.