



**UNDERSTANDING
THE
DOWN PAYMENT ASSISTANCE
QUALIFYING PROCESS
THROUGH THE STATE HOUSING INIITIATIVES
PARTNERSHIP PROGRAM (SHIP)
FOR
HERNANDO COUNTY**

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www.co.hernando.fl.us/housing/

A. What is the Down Payment Assistance Program?

The SHIP Program is a loan that provides down payment assistance for families/individuals that meet the eligibility guidelines. The four main eligibility requirements are as follows:

- Applicants must meet income limits for family size *without going over*
- Ability to qualify with a financial institution (obtain a pre-approval)
- Must participate in a First Time Home Buyers Education Class
- Must not have owned a home *anywhere* within the three previous years (public record searches are conducted for verification)

Eligibility is based upon household size and anticipated gross annual income. Gross annual income is defined as any working member of the household over 18¹ years of age and any other member of the household receiving other forms of income such as Social Security benefits, pensions, retirement, etc. Anticipated is defined as gross income earned projected for a period of 12 months ahead from the date the Income Certification Form is completed.

B. How much money is available?

Eligible individuals and families can receive *up to* 20% of the purchase price to put towards their down payment and closing costs for the purchase of an existing home or the purchase of a new construction home.

The SHIP Loan is Subordinate Financing; it is taken out as a Second Mortgage Agreement, but you do not make payments on it. The loan is paid back when one of these situations occur:

C. What are the loan terms?

- The home purchased is no longer your primary residence (i.e. you move out of the home; therefore, it is no longer homesteaded, and/or you rent out the home)
- The home is sold
- The first mortgage is paid in full (a maximum term of 30 years)
- If the buyer is deceased and wills the home to someone else (cannot be assumed)
- The homeowner wishes to refinance their first mortgage for cash out (this includes bill consolidation and equity lines of credit)

At this time, the loan must be paid back in one lump sum. There are no exceptions. The SHIP Loan is not a forgiven loan in Hernando County.

¹ Income from earnings in excess of \$480 for each full-time student 18 years or older is excluded (not including the head or co-head of the household and spouse);

D. What are the steps to apply for down payment assistance?

The following guideline is “recommended” for best results in applying for down payment assistance:

1. Obtain Pre-Approval from reputable mortgage lender or bank (mandatory)
2. Schedule First Time Homebuyers Education Class
3. Make appointment to apply for SHIP funds
4. Contact Realtor or Builder (wait to sign contracts)

One of the reasons for obtaining a pre-approval from a mortgage lender first is that it is a mandatory requirement prior to scheduling an appointment to apply for the funding. **If our office does not have a pre-approval letter from the applicant’s financial institution, an appointment will not be scheduled.**

The First time Homebuyers Education Class needs to be scheduled as soon as the applicant(s) are pre-approved with a lender. This is because it is in the best interest of the applicant to learn about mortgage loan processing and to learn tips on what to watch out for before signing real estate contracts. The counselor and speakers at the class provide guidance and information to watch out for so that the applicants do not get taken advantage of.

****Note:** *Obtaining a Class Certificate does not mean that applicant(s) are approved for SHIP funds. Applicant(s) must apply for SHIP funds separately.*

If for some reason you cannot keep the appointment, please call to cancel and/or re-schedule, keeping in mind that not showing up for your appointment without calling our office can delay processing not only for yourselves, but for others as well.

Keep in mind when calling to schedule an appointment that you may not be able to get in immediately. This is also why it is important to follow these steps.

If there is more than one adult (e.g. husband & wife, and/or significant other) in the household, both parties must take the class. The classes are conducted by Consumer Credit Counseling Services (CCCS) and are held once monthly. If the applicant(s) does not get register for a class as soon as possible, it may hold up closing on the home because the class certificate must be in the applicant’s file prior to requesting funds.

Applying for SHIP funds is listed third because the first two steps should be taken care of prior to the appointment. Applicant(s) should secure all of their financing prior to signing contracts in order to protect themselves. Not securing SHIP funds first may also cause the applicant(s) to lose the contract on the home because they could not get processed in time and the seller/builder may not give an extension.

Many people make the mistake of signing a Real Estate Contract before applying for SHIP funds when in all practicality it should be the very last step. **Signing a Real Estate Contract or Construction Contract prior to your SHIP appointment will not get an earlier appointment.**

E. Expected time frame for processing an application:

From the date of the initial SHIP appointment, **processing can take from two to six weeks or more because of the verification process.** There may also be other factors involved as well that may require more time for processing. This is yet another reason *not to sign contracts before the appointment.*

During the appointment, Third-Party Verification Forms must be signed by the client(s) and sent out for verification. Determining eligibility is dependent on receiving these forms in a timely manner. Once all Third-Party Verification Forms are received, the Income Certification Form (ICF) can be completed.

The SHIP Loan Processor will contact the applicant(s) to come in and sign off on the *Income Certification Form* once it is completed. The file then goes to the Executive Director for final approval. Once the Executive Director gives final approval, the SHIP Loan Processor will prepare and mail the *Letter of Approval (LOA)* to the applicant(s). If the applicant(s) do not meet the eligibility requirements, an ineligible letter will be mailed.

F. Types of down payment assistance available:

There are three types of down payment assistance available as mentioned above. This outline explains the documentation needed from your lender in order to process a Request for Payment. They are as follows:

Existing. You may receive *up to 20%* of the purchase price towards down payment and closing costs for the purchase of an existing home. The approval is valid for a period of ninety (90) days from the date of the LOA.

The following DOCUMENTS ARE REQUIRED FROM THE LENDER SEVEN (7) TO TEN (10) BUSINESS DAYS PRIOR to a Request for Payment to be processed for closing:

Final mortgage approval letter from financial institution stating:

- The legal name of the first mortgage holder (lender)
- The mortgage amount
- The monthly payments (including PITI)
- The closing agent and address
 - ❑ *Signed Real Estate Contract*
 - ❑ *Uniform Underwriting Transmittal Summary or MCAW (including amount of Subordinate Financing (SHIP Funds) requested*
 - ❑ *First two pages of the Uniform Residential Appraisal Report*
 - ❑ *Copy of the Certificate from First Time Buyers Class*
 - ❑ *Proof of Title Commitment*

Existing with Construction Upgrades. You may receive *up to 20% of the purchase price* towards down payment and closing costs for the purchase of an existing home and *up to* an additional ten thousand dollars (\$10,000.00) for necessary construction improvements. The approval is valid for a period of ninety (90) days from the date of the LOA.

The following DOCUMENTS ARE REQUIRED FROM THE LENDER SEVEN (7) TO TEN (10) BUSINESS DAYS PRIOR to a Request for Payment to be processed for closing:

Final mortgage approval letter from financial institution stating:

- The legal name of the first mortgage holder (lender)
- The mortgage amount
- The monthly payments (including PITI)
- The closing agent and address
 - ❑ ***Signed Real Estate Contract***
 - ❑ ***Uniform Underwriting Transmittal Summary or MCAW (including amount of Subordinate Financing (SHIP Funds) requested***
 - ❑ ***First two pages of the Uniform Residential Appraisal Report***
 - ❑ ***Copy of the Certificate from First Time Buyers Class***
 - ❑ ***Proof of Title Commitment***
 - ❑ ***Home Inspection Report by a licensed home inspector***
 - ❑ ***Signed agreements/contracts (by both parties) for all construction/improvements***
 - ❑ ***Copies of contractor's license(s)***
 - ❑ ***Schematic drawings for room additions***

The contractors have six months from the date of closing to complete the work. It is up to the recipient(s) to make sure that the work is completed within this time frame. It is the responsibility of the SHIP recipient, to follow up on the progress.

Once the work is complete, the contractor(s) and the recipient(s) **must** notify the SHIP Loan Processor that the work is completed. The contractor(s) must provide the SHIP Loan Processor with either the permit number(s) and/or the final inspection number(s) from the Hernando County Building Department for confirmation. The recipient must sign an *Affidavit of Completion* also before funds can be released to the contractor(s).

Once the final inspection is confirmed with the building department and the recipient(s), the SHIP Loan Processor will issue a *Release of Funds Statement* to the title company for them to process payment directly to the contractor(s). If there are monies left over, they come back to Hernando County and will be applied as a principal reduction to the recipient(s) Second Mortgage Agreement and Promissory Note with the County.

The applicant(s) must only use the contractor(s) they submitted to SHIP. If they do not, they will be responsible for payment. The recipient(s) are also responsible for any monies above and beyond the bid submitted in their file as an out-of-pocket expense. This is why it is important to

get the contractor(s) to be as close as possible with their final figures before they are submitted to the SHIP Loan Processor.

The following upgrades that could meet the requirements for Construction Funds as defined by Florida Statue 420.9075 are as follows:

- ❑ Increase actual living space (porches and/or lanai's not included)
- ❑ New Roof (must be at end of life expectancy)
- ❑ Bringing entire house up to current building codes including electrical, plumbing, or any structural deficiencies
- ❑ Septic systems, water heaters, central H/A
- ❑ Full window replacement for weatherization purposes

Regular household appliances are not included or anything cosmetic, such as replacing carpeting, floor tile, or painting. These examples do not fall within the SHIP Statues.

New Construction. You may receive up to 20% of the purchase price towards down payment and closing costs for the purchase of a newly built home. The definition of a new construction home is when any new home's Certificate of Occupancy is less than six months of age. The approval for New Construction is valid for a period of twelve (12) months from the date of the LOA.

The following DOCUMENTS ARE REQUIRED FROM THE LENDER SEVEN (7) TO TEN (10) BUSINESS DAYS PRIOR to a Request for Payment to be processed for closing:

Final mortgage approval letter from financial institution stating:

- The legal name of the first mortgage holder (lender)
- The mortgage amount
- The monthly payments (including PITI)
- The closing agent and address
 - ❑ ***Signed Construction Contract***
 - ❑ ***Uniform Underwriting Transmittal Summary or MCAW (including amount of Subordinate Financing (SHIP Funds) requested***
 - ❑ ***First two pages of the Uniform Residential Appraisal Report***
 - ❑ ***Copy of the Certificate from First Time Buyers Class***
 - ❑ ***Proof of Title Commitment***
 - ❑ ***Certificate of Occupancy (can be obtained after the closing; therefore, it is not a requirement for requesting funds.)***

G. Miscellaneous

****Up to** signifies how much Down Payment Assistance (DPA) and closing costs are needed to close on the home from the Underwriters.

Funds are limited and all loans are made on a *Funds Available Basis*** only.

**Interest Rates must be below ten percent (10%) for buyers.

**Lenders/Brokers must be licensed in the state of Florida

****Checks are cut on Fridays *only* and released *AFTER 3:45 p.m.***

H. At/After the Closing

Once the applicant(s) have closed on their home, the following documents are needed from the title company:

1. Recorded Second Mortgage Document & Recorded Promissory Note (9 pages)
2. Copy of First Mortgage Agreement
3. Copy of closing Settlement Statement (HUD)
4. Copy of Certificate of Occupancy (New Construction)

I. Letter of Approval

The Letter of Approval (LOA) is valid for a total of 90 days for Existing home purchases and Existing home purchases with Construction Upgrades. The Letter of Approval (LOA) is valid for a total of for 365 days for New Construction purchases. If the applicant(s) do not close on a home within the expiration date of the LOA, a thirty-day extension can be given if the applicant(s) contact the SHIP Loan Processor *prior* to the expiration date of the LOA. If a closing does not take place after the thirty-day extension, the applicant(s) will need to re-certify. All income and asset information will then have to be re-verified to obtain a new Letter of Approval. If there have been any significant increases since the initial verification process and it puts the applicant(s) above the income limits, they will then receive an ineligible letter.

The *Qualifying Income Limits* are as followed:

**Percentage
Category**

Number of Persons in Household

	1	2	3	4	5	6	7	8
50%	20,800	23,800	26,750	29,700	32,100	34,500	36,850	39,250
80%	33,250	38,000	42,750	47,500	51,300	55,100	58,900	62,700
120%	49,920	57,120	64,200	71,280	77,040	82,800	88,440	94,200

J. Eligible Properties

The maximum allowable purchase prices for homes are as follows:

EXISTING HOMES\$240,158.00

NEW CONSTRUCTION HOMES.....\$240,158.00

Applicants cannot have received any previous loan through the County’s Down Payment Assistance Program.

The total household income cannot exceed these amounts for family size at all. The State does not allow any flexibility for these guidelines.

****Please Note:** The Homebuyer’s Class Certificate is valid for one year only. Should the certificate expire prior to SHIP funds being requested, the applicant(s) will need to re-take the class or request an extension on their current certificate with CCCS.

Attached is the list of documents needed from the applicant(s) for the SHIP appointment, and the First Time Homebuyers Education Class Schedule.

For appointments, contact:

**Terri M. Rodgers
SHIP Loan Processor
Hernando County Housing Authority
Ph. (352) 754-4160 Fax (352) 754-4168
trogers@hernandocounty.us**

SHIP WORKSHEET **(State Housing Initiatives Partnership)**

Prior to scheduling an appointment with our office, our office must have received a PRE-APPROVAL letter from a financial institution. This pre-approval can be faxed at 352-754-4168.

To take advantage of the Hernando County Down Payment Assistance Program, you must submit the following documents at your scheduled appointment time for any applicable household member:

- Four most recent pay stubs, or letter from employer showing current year-to-date gross income, hours worked, hourly rate, overtime and rate, etc. for each member of the household
- Most recent tax return from all members of the household 18 years of age and older.
- Proof of Social Security or SSI annual benefit statement(s)
- If self-employed or an independent contractor; past two years tax returns [signed 1040's] **and** YTD Profit and Loss Statement from a licensed public accountant
- Most recent bank statements showing all accounts; checking, savings, CD's, money markets, 401K's, stocks, bonds, IRA's, retirement, pensions, etc.
- Copy of most recent divorce order since last tax return was filed
- Copy of original Child Support/Alimony Statements (payment printouts are not acceptable) if a Contempt of Court has been filed with the Department of Revenue for non payment we will need a copy of that order
- Property Appraiser's assessed value if you own land
- Driver's License(s)/Florida ID and Social Security Cards (all H/H members) birth certificates for children
- Homebuyers Class Certificate, or show scheduled date
- Employer's address(s), phone numbers and fax numbers