



Clackamas County
 Neighborhood Stabilization Program (NSP)
 Homebuyer Assistance
QUICK REFERENCE FOR LENDERS



Complete original applications packets
 are accepted, reviewed and processed on a first come first serve basis.
 Deliver or mail original complete application packet directly to:
 Clackamas County Community Development Division
 2051 Kaen Rd., STE 245, Oregon City, OR 97045

No faxes or PDF application packets accepted.

NSP OVERVIEW

Purpose:	To help stabilize targeted neighborhoods by helping qualified families purchase foreclosed homes at a discount and make needed repairs.
Funding Source:	Neighborhood Stabilization Program (NSP) – U.S. Department of Housing & Urban Development (HUD). Clackamas County receives funding through Oregon Housing Community Services (OHCS)
NSP Lender:	Clackamas County.
Availability of Funds:	Funds are available on a first-come, first-served basis. CDD will reserve funds for a specific borrower when CDD receives the required information and documentation and determines that the applicant is an “Eligible Applicant” / “Suitable Borrower” and that the property is an “Eligible Property”.
NSP Process:	Clackamas County works directly with Lenders and Realtors to deliver the NSP Homebuyer Program.
First Mortgage Lender Qualifications and Compliance:	FHA approved lenders are considered qualified lenders. The 1st mortgage lender must sign a Certification Statement of Compliance (NSP Form 26) to comply with regulator’s guidance for non-traditional mortgages as noted in the Statement on Subprime Mortgage Lending issued by the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Department of the Treasury and National Credit Union Administration at the following link: www.fdic.gov/regulations/laws/rules/5000-5160.html .
Realtor Qualifications:	Licensed in the State of Oregon.

NSP LOAN

Type:	Second Mortgage. No exceptions.
Secured:	Yes, subordinated to the first mortgage only.
Homebuyer Education:	Prior to applying for NSP funds, Borrower(s) must receive and complete at least 8 hours of homebuyer counseling from a HUD-approved agency - ABC’s of Homebuying or Realizing the American Dream. Class must have been completed no longer than one year prior to closing. Every borrower who will be in title is encouraged to take the class. However, only one is required to take the class. Find a class on the Oregon Housing Community Services (OHCS) website at www.oregonbond.us

Income Limit:	<p>Current gross household income must not exceed 120% of the HUD median income, adjusted for family size for the Portland Metro area. Includes all persons residing in the home over the age of 15.</p> <table border="0"> <thead> <tr> <th>Household Size</th> <th>Maximum Income</th> <th>Household Size</th> <th>Maximum Income</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>\$58,800</td> <td>4</td> <td>\$84,000</td> </tr> <tr> <td>2</td> <td>\$67,200</td> <td>5</td> <td>\$90,700</td> </tr> <tr> <td>3</td> <td>\$75,600</td> <td>6</td> <td>\$97,450</td> </tr> </tbody> </table>	Household Size	Maximum Income	Household Size	Maximum Income	1	\$58,800	4	\$84,000	2	\$67,200	5	\$90,700	3	\$75,600	6	\$97,450
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Maximum Assistance:	<p>Up to \$50,000 for:</p> <ul style="list-style-type: none"> Reasonable closing costs, Down Payment, Pre-pays, Primary First mortgage reduction; and Repairs & rehabilitation of the property <p>No more than 20% can be used for down payment.</p> <p>Closing costs are paid first, then down payment, then mortgage reduction (if any), then rehabilitation.</p>																
Rate:	0% Deferred Payment Loan – no monthly payments.																
Term:	Due upon sale, transfer of title, change of use or refinance of first mortgage. Must be borrower's principle residence.																
Late charges:	Not applicable.																
NSP Loan Origination, funding or processing Fees:	None. The Lender's Good Faith Estimate and the final settlement costs must not include loan origination, funding or processing fees for the NSP loan.																
Closing Costs:	Title insurance is required and the title policy fee will be added to the loan. If applicable, charges for the energy audit may be added to the NSP loan. There are no other fees or costs for the NSP loan.																
Borrower's Contribution:	<p>Borrower must make a minimum contribution at least equal to the greatest of:</p> <ol style="list-style-type: none"> 50% of the down payment <u>required</u> by the first mortgage holder; 1% of the purchase price; or \$1,000. <p>Buyer's contribution may go towards any fees or down payment associated with the purchase. Buyer's contribution may include documented purchase-related costs that the homebuyer paid for out-of-pocket prior to closing that are not listed on the HUD-1 form. For example, the Pest & Dry Rot inspection.</p>																
Seller Contributions:	Allowed.																
Asset Limit:	May not exceed \$15,000 in liquid assets after closing. Retirement accounts excluded.																
Prepayment Penalties:	None – See requirements under Term and Shared Appreciation.																
Assumable:	No																
Occupancy:	Must be owner occupied.																
Impounds:	Not required.																
Mortgage Insurance:	Not required.																
Title Insurance:	Is required for the NSP loan.																
Homeowners Insurance:	Is required by the NSP Trust Deed. County of Clackamas is beneficiary.																

SUITABLE BORROWER

Each loan application must comply with the applicable NSP regulations. As part of its underwriting obligation, CDD relies on the primary lender to analyze each loan application to determine that the applicant is a suitable borrower. The purpose of the underwriting analysis is to reduce the risk of loan default to the County and to ensure that the borrowers will be able to maintain their home after purchase.

The goal of the NSP program is to help eligible homebuyers become successful homeowners. To accomplish this goal the County has developed the following suitability requirements:

Income:	The borrower must have sufficient income to support the primary debt and must be able to obtain approval from a primary lending institution for the purchase of the home. Prior to reservation of funds and final eligibility approval, applicant must show evidence of approved funding from primary lender.
Debt to Income Ratios:	Maximum total debt-to-income ratio cannot exceed 45%.
Additional Assistance:	Other non-County down payment assistance programs, products and gifts are acceptable forms of assistance.
Credit:	<ul style="list-style-type: none"> • Borrower(s) must comply with credit standards acceptable to first mortgage holder. • No foreclosure within the five years immediately prior to loan closing. • Bankruptcy (Chapter 7 and Chapter 13) must have been discharged at least two years prior to closing.

FIRST MORTGAGE

Terms:	<ul style="list-style-type: none"> • Up to a 30-year term. • Fixed interest rate only.
Ineligible Loan types:	No contract sales, prepayment penalties, refinance, ARM's, Interest-Only, Hybrids, Combo or second mortgages with variable interest rates, or sub-prime loans.
Reasonable Closing Costs:	<p>Reasonable closing costs and primary loan fees mean</p> <ul style="list-style-type: none"> • Combined loan origination fee and discount points that do not exceed 1.75% of the amount of the note. • Total closing costs not to exceed 3.5% of the note. <p>This does not include pre-paid.</p>
Pre-Paid:	<p>Can be used to pay for up to one year of:</p> <ul style="list-style-type: none"> • Mortgage insurance premiums • Property taxes • Homeowner's insurance.
Combined LTV:	Maximum allowable by first mortgage lender. Rehab funds may exceed primary lender's CLTV.

ELIGIBLE PROPERTY

<p>Properties – Eligible: (Single Family Housing Unit)</p>	<p>To qualify for NSP assistance, the property selected by the homebuyer must meet ALL of the following criteria. The house must:</p> <ul style="list-style-type: none"> • Be a bank owned foreclosed upon Single Family Residence • Be located in a HUD-designated high-need census block group of Clackamas County. • Be purchased at a discount price that is a minimum of 1% below the current appraised value. • Meet the definition of single family housing. • Be vacant or be occupied by the homebuyer. • Be current on property taxes. • Have clear title – the preliminary title report must be satisfactory to the County. • Be large enough to accommodate the size of the household. • Be in good condition or economically feasible for rehabilitation.
<p>Manufactured Housing:</p>	<p>To qualify for NSP assistance, a manufactured housing unit must be:</p> <ol style="list-style-type: none"> A. Constructed after June 15, 1976 and in accordance with standards established under 24 CFR Part 3280; B. Situated on a permanent foundation; C. Connected to permanent utility hook-ups; D. Be installed with permanent tie downs; E. Located on land that is held by the homebuyer or by a land trust under the definition of homeownership at 24CFR 92.2; and F. Taxed as real property, i.e. de-titled.
<p>Properties - Ineligible:</p>	<p>Ineligible Properties</p> <ul style="list-style-type: none"> • Tenant-occupied properties are not eligible. A renter must not occupy property at the time an offer is submitted to the seller. The house must be vacant throughout the sale period and at the time title is transferred. The only exception to this is if the homebuyer is occupying the home as a renter. • Multi-family, investment and second homes are not eligible.

PURCHASE PRICE LIMIT, APPRAISAL AND OFFER TO PURCHASE

<p>Purchase Price Limit:</p>	<p>Property must be purchased at a minimum discount of 1% below current appraised market value (See appraisal requirements).</p>
<p>Appraisal:</p>	<p>A complete residential appraisal must be done by a licensed appraiser. The appraisal must be conducted according to Uniform Standards of Professional Appraisal Practices (USPAP) and requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA) 49 CFR, Part 24, Subpart B, 24.103, a-e.</p> <p><i>Appraisal must be completed within 60 days prior to the <u>final offer</u> and must conform to the appraisal requirements of the URA at 49 CFR 24.101(b), 24.2(a)(3) and 24.103(a)(2)</i></p>
<p>Final Offer NSP Form 07</p>	<p>The <i>final offer</i> is the purchase offer contained in the NSP Form 07-Disclosure to Seller of Fair Market Value.</p>
<p>Offer to Purchase a Property and Addendums (2):</p>	<p>Offers to Purchase a Property -- Required Addenda and Specific Language</p> <p>Required Language & Addenda: Offers to purchase a property will be written by the buyer with the assistance of a realtor. The offer must contain the following language and addenda and be subject to the following criteria.</p> <p>Every offer to purchase is required to include the two addenda below. Clackamas County will provide the required addenda:</p> <ul style="list-style-type: none"> • Form 02 – Addendum to Sales Agreement – URA; and either • Form 03a – Addendum to Sales Agreement Post 1978 (for house built <u>after</u> January 1, 1978); or

	<ul style="list-style-type: none"> Form 03b – Addendum to Sales Agreement Pre 1978 (for house built <u>before</u> January 1, 1978)
Addendum to Purchase and Sales Agreement – Voluntary Sale (URA); Purchase Price; and Successor in Interest NSP Form 02	<p>Form 02 -- Addendum Sales Agreement-URA makes the sale contingent upon:</p> <ul style="list-style-type: none"> URA Contingency: Establishes a voluntary sale under the Uniform Relocation Act and clarifies that there is no re-location payment. Appraisal within 60 days prior to final offer. Discount Price of at least 1% below current appraised value. Successor in Interest or Affidavit. <p><i>If the property was taken in foreclosure after February 17, 2009, Seller must provide to Buyer a copy of the “successor in interest” 90 day notice to vacate, OR, an affidavit from the initial “successor in interest” through foreclosure (usually Lender) stating that the unit was vacant at the time of foreclosure.</i></p>
Addendum to Purchase and Sales Agreement - Post 1978 NSP Form 03a <i>(for housing built after January 1, 1978)</i>	<p>Form 03a Addendum to Sales Agreement – For housing built <u>after</u> January 1, 1978 makes sale contingent upon:</p> <ul style="list-style-type: none"> Environmental Review performed by CCD. Must be completed and proper documentation included in the file before any funds (including non-NSP funds) associated with the activity are released Location Economic Feasibility Property Standards Inspection, Housing Quality Standards (HQS) Inspection & visual assessment performed by CDD. Access to Property: Offer must be contingent upon access to property for: <ul style="list-style-type: none"> a. All required inspections and optional inspections requested by buyer, b. All bid conferences needed to obtain bids on proposed rehabilitation work.
NSP Form Addendum to Purchase and Sales Agreement - Pre 1978 NSP Form 03b <i>(for housing built before January 1, 1978)</i>	<p>Form 03b Addendum to Sales Agreement – For housing built <u>before</u> January 1, 1978 makes sale contingent upon:</p> <ul style="list-style-type: none"> Environmental Review performed by CCD. Must be completed and proper documentation included in the file before any funds (including non-NSP funds) associated with the activity are released. Location Economic Feasibility Property Standards Inspection, Housing Quality Standards (HQS) Inspection & visual assessment performed by CDD. Access to Property: Offer must be contingent upon access to property for: <ul style="list-style-type: none"> a. All required inspections and optional inspections requested by buyer, b. All bid conferences needed to obtain bids on proposed rehabilitation work. Lead-Based Paint -lead-hazard evaluation on pre-1978 homes. Purchase is contingent upon the home passing the following reviews and inspections performed by CDD: <ul style="list-style-type: none"> a. A Property Standards inspection; and b. Lead Based Paint Contingency for houses built pre-1978: <ul style="list-style-type: none"> i. Receipt of the LBP Pamphlet ii. Receipt of Disclosure of Known LBP and/or LBP Hazards iii. Visual Assessment of the property and/or a lead-hazard evaluation for the presence of lead-based paint and/or LBP hazards. <p>If Buyer or Seller is responsible for any required repairs a certification is required stating all of the following:</p> <ul style="list-style-type: none"> a. Renovate Right pamphlet was given to the Seller and Buyer; and b. Lead Safe Work Practices were used; or c. Painted surfaces disturbed were below the de minimis thresholds defined: <ul style="list-style-type: none"> o 20 square feet on exterior surfaces; o 2 square feet in any one interior room or space; or o 10% of the total surface area on an interior or exterior type of component with a small surface area (such as windowsills, baseboards, and trim).

REQUIRED INSPECTIONS:

<p>REQUIRED Inspections:</p> <p><u>NOTE:</u> Buyer MUST attend the inspections conducted by Clackamas County</p>	<p>The following inspections must be performed prior to Final Offer on the property:</p> <ol style="list-style-type: none"> A. <u>Full Home Inspection</u>: The house must be inspected by a licensed Home Inspector prior to Final Offer on the property. This inspection will be ordered and paid by the Borrower. B. <u>Pest and Dry Rot Inspection</u>: The house must have a pest and dry rot inspection performed by a qualified firm prior to the Final Offer on the property. This inspection will be ordered and paid by the Borrower. C. <u>Property Standards Inspection</u> – Clackamas County will perform a property standards inspection prior to the final offer on the property. If violations are found, the property is not eligible for purchase unless <u>one</u> of the following occurs: <ol style="list-style-type: none"> a. Violations are corrected and a second inspection is performed prior to closing. b. Buyer & lender agree to include all repairs in the rehabilitation part of the NSP loan. NOTE: Rehab Advisor will assist by writing specifications for work to be done, providing a cost estimate, obtaining bids from owner selected qualified contractors & submitting rehabilitation package to the lenders for closing. D. <u>Energy Audit</u> – An energy audit will be ordered by the Clackamas County Rehabilitation Advisor and performed by Clackamas County Weatherization. E. <u>Risk Assessment / Limited Paint Inspection</u> – If the home was built before 1978, a risk assessment is required. This inspection will be ordered by the CCD Rehab Advisor and performed by NetCompliance. If lead hazards are found, the property is not eligible for purchase unless the deficiencies are corrected using lead safe work practices and a Clearance is obtained. <p><u>PASS</u>: If the house passes the five inspections listed above and no work will be required to be done to the property, the purchase process continues.</p> <p><u>FAIL</u>: If the house fails any of the five inspections listed above and work must be done to the property then there are three options:</p> <ol style="list-style-type: none"> 1. Seller corrects the defects (using lead safe work practices if built prior to 1978) and the house is re-inspected (and passes) <u>prior to closing</u>; or 2. Buyer shops for a different house; or 3. Buyer decides to rehab home with NSP funds
<p>ADDITIONAL: <i>Lender-required or requested Inspections</i></p>	<p><u>Additional Possible Inspections:</u> Lender may require or Buyer may want (Buyer pays):</p> <p>Oil tank locate & inspect, sewer scope, well water testing, radon short test, Asbestos</p>
<p>LEAD-BASED PAINT REQUIREMENTS</p>	<p><u>Lead-Based Paint Requirements</u></p> <p>Properties built prior to January 1, 1978 must meet all HUD, EPA, DEQ and state requirements pertaining to Lead-Based Paint.</p>
<p>LBP RISK ASSESSMENT: <i>If the home was built before Jan. 1, 1978:</i></p>	<p><u>A Risk Assessment / Limited Paint Inspection</u> is required.</p> <p>The Lead Hazard Assessment / Limited Paint Inspection must be requested and paid by Clackamas County and conducted by: Net Compliance</p> <ul style="list-style-type: none"> • If lead hazards are <u>not</u> found and LBP is not found: the purchase process continues with addressing only the defects found in the County inspections. • If lead hazards or LBP are found: <ol style="list-style-type: none"> 1. The hazards <u>must</u> be addressed in the County's written specifications. 2. All Work must be done as directed by the Risk Assessment report 3. Buyer <u>may</u> have choices on how work is addressed (interim controls or abatement) 4. All Work must be done using lead safe work practices 5. Contractor must have specialized training as required in the LBP regulations

REPAIRS & REHABILITATION:

<p>REPAIRS & REHABILITATION</p>	<p>A foreclosed-upon home or residential property shall be rehabilitated to the extent necessary to assure safety, quality and habitability. Clackamas County will require a through assessment of all properties. The assessment must examine the major building components and describe the work necessary to bring each building component to the level of maximum expected life span. HUD's Housing Quality Standards (HQS) outlined in 24 CFR 982.401 <u>and</u> Clackamas County Housing Rehabilitation Standards will be the minimum standard for judging the actual physical condition of a property and determining the scope of work.</p> <p>Rehabilitation of a residential property must be performed in compliance with applicable laws, codes and other requirements relating to housing safety, quality and habitability. If work requires building permits, all rehabilitation must be performed to current building codes. Clackamas County must conduct a property inspection to determine the scope of work needed.</p> <p>Buyers must agree to have Clackamas County coordinate all work that needs to be completed in order to meet HUD Regulations, Oregon Residential Code, and, if necessary local municipality's codes, Oregon State Historic Preservation Office, and Lead Based Paint requirements including:</p> <ul style="list-style-type: none"> • Inspections • Work Specifications • Bidding process • Repair/Rehabilitation work including general property improvements <p>All defects noted in all of the inspections must be addressed in the county written specifications, the county assisted bidding process and all work must be completed within 60 days of closing.</p> <p><i>The unit must meet the Property Standards at 24 CFR 92.251(a)(2) and the Clackamas County Housing Rehabilitation Standards within three months of closing.</i></p>
<p>SCOPE OF WORK</p> <p><i>Required Repairs</i> <i>General Property Improvements</i> <i>Optional Upgrades-</i></p>	<p>DETERMINING SCOPE OF WORK:</p> <p><u>Required</u> by program guidelines:</p> <ol style="list-style-type: none"> 1. Environmental Review – must be reviewed prior to funding (historic / flood plain, etc.) 2. HUD's Housing Quality Standards (HQS) (24 CFR 982.401) violations 3. Clackamas County Housing Rehabilitation Standards violations 4. Local applicable laws and codes (housing, building, etc.) 5. Pest & dry rot inspection reported repairs 6. Full home inspection reported repairs 7. LBP Risk assessment/limited paint inspection reported hazards 8. Energy Audit – reported repairs and improvements for energy efficiency 9. All additional inspections requested (oil tank, septic, etc.) repairs <p><u>Recommended</u> by program guidelines:</p> <ul style="list-style-type: none"> • Green Building techniques – sustainability & energy efficiency • Visit-ability features which promote aging in place & accessibility • General improvements requested by buyer will be considered after all other items.
<p><i>Rehab Exceeds Funds Available for Repair:</i></p>	<p>If the required rehabilitation work exceeds the funds available, the Buyer may choose to back out of the offer and shop for a different home.</p>
<p>SPECIFICATIONS & BIDDING</p>	<ul style="list-style-type: none"> • Rehab Advisor will write specifications for the work to be done. <i>The results of the energy audit performed by Clackamas County Weatherization and the LBP Risk Assessment performed by NetCompliance will be included in the scope of work.</i> • Rehab Advisor will hold a Bid Conference to obtain bids prior to closing • NSP Loan Package will include the bid selected by the Buyer to complete the work.

Construction Project Management:	<ul style="list-style-type: none"> • All work will be done <u>after closing</u> & after a Pre-Construction Conference is held. • Rehab Advisor will manage the construction project & process payments to the contractor. No money is paid up front but progress payments are available. It takes three weeks to process a check. Checks are made out to buyer & contractor. • Buyer will monitor the construction project with the Rehab Advisor
Final Inspections, Lien Waivers and Clearance:	<ul style="list-style-type: none"> • All applicable final certificates of inspection are required • Lien waivers are required from the general contractor, all subcontractors and all senders of the notice of the right to lien. • Clearance is required if lead work is done on a house built prior to 1978 • Warranties on all warranted materials and workmanship
Ongoing Maintenance and Repair:	<p>After purchase: The property must be kept in good repair and maintained in good, safe condition, suitable for residential use. The condition of the property must meet the requirements of all laws, ordinances, rules and regulations of any government authority with the right to examine or inspect the property.</p>

Clackamas County Staff Contacts:	<table> <tr> <td><i>Kathy Rock, NSP Loan & Rehab Advisor</i></td> <td><i>503-650-5671</i></td> </tr> <tr> <td><i>Lori Stomps, Eligibility and Processing</i></td> <td><i>503-655-8591</i></td> </tr> <tr> <td><i>Gloria Lewton, Program Manager</i></td> <td><i>503-655-8359</i></td> </tr> </table>	<i>Kathy Rock, NSP Loan & Rehab Advisor</i>	<i>503-650-5671</i>	<i>Lori Stomps, Eligibility and Processing</i>	<i>503-655-8591</i>	<i>Gloria Lewton, Program Manager</i>	<i>503-655-8359</i>
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