

**CITY OF OMAHA
PLANNING DEPARTMENT
HOUSING AND COMMUNITY DEVELOPMENT DIVISION
AFFORDABLE HOUSING PROGRAM**

Subrecipient and Homebuyers' Financing Guidelines

**Effective Date: September 10, 2004
Revised: February 6, 2009**

These financing guidelines provide a general overview of the City of Omaha requirements applicable to Deferred Payment Loans for homes purchased through the City's Affordable Housing Program. While it is not possible to mention all requirements, this guide answers most questions concerning homebuyer financing.

Some provisions in this guide are subject to change without notice with the approval of the City of Omaha and the Nebraska Department of Economic Development. Contact the City of Omaha, Planning Department, Housing and Community Development Division if you have questions and to obtain updated guidelines.

PURPOSE OF THE HOUSING AND COMMUNITY DEVELOPMENT DIVISION

The purpose of the Housing and Community Development Division of the City of Omaha Planning Department is to promote the growth, development and revitalization of the City through the elimination of slums and blight; to assist low- and moderate-income persons and families in attaining decent, affordable housing; and to create job opportunities for lower-income persons through economic development activities.

This is accomplished by: 1) formulating and implementing plans and programs designed to revitalize neighborhoods, commercial areas, and industrial areas; upgrade the housing stock in the inner-city; and create homeownership opportunities; 2) administering home renovation, home construction, economic development, real estate development, and revitalization programs and activities; and 3) providing services to and improved service facilities for housing counseling, home maintenance, homelessness, job training, education, elderly persons, handicapped persons and other socio-economic assistance activities.

The attached guidelines include eligibility criteria, deferred payment loan terms and conditions, general considerations for a loan and definitions.



A. PURPOSE OF AFFORDABLE HOUSING PROGRAM FOR HOMEBUYERS

The purpose of the Affordable Housing Program for Homebuyers is to promote the revitalization of specific neighborhoods within the City of Omaha. This is accomplished through the use of funding from the Community Development Block Grant (CDBG) Program, Home Investment Partnerships Program (HOME), Nebraska Affordable Housing Program (NAHP), Neighborhood Initiative Grant (NI), American Dream Downpayment Initiative (ADDI), Economic Development Initiative Grant and other Federal and Private agencies.

Applications to purchase these homes are taken by Developers and are submitted to the City via Omaha 100 for second and third mortgage approval as the properties are sold. Once the City makes preliminary loan approval, the eligibility to receive the loan is good for a six-month period, which includes the loan closing date.

B. ELIGIBILITY CRITERIA

1. Applicant is age of majority as established by the State of Nebraska at the time of application. Currently that age of majority is 19.
2. Property is a single-family residential unit containing no more than one residential unit that will be the homebuyer's principal place of residence located in a designated target area.
3. Loan amount from each Federal funding source must be at least \$1,000.00.
4. Property must be purchased from an eligible developer.
5. Applicant must have a two-year continuous and verifiable work history and/or receives income from other sources such as Social Security, pension(s), alimony, child support, annuities or any other forms of anticipated income. In some instances, education may be substituted for employment if applicant was a full-time college (or similar institution) student and has been employed at current job for twelve continuous months.
6. Student loans, child support payments, existing credit obligations, Federal and/or State income taxes must be current at the time of preliminary approval of loan application and they must remain current through loan closing.
7. Applicant must have a good credit rating. Derogatory credit may be acceptable if repayment agreement is in place and has been in place for six consecutive months. All payments in the repayment agreement must be current.

8. Applicant cannot have unsatisfied judgments that can create a lien against property at time of loan closing.
9. Applicant's Debt-to-Income Ratio (DIR) is 42% or less.
10. Applicant's Housing to-Income Ratio (HIR) is 33% or less. (If the DIR is less than 40%, the HIR can be increased to 35%).
11. Applicant or any household member is not a full-time, part-time, provisional or seasonal employee of the City.

C. MAXIMUM DEFERRED PAYMENT LOAN (DPL)

Maximum DPL to assist qualified Applicant in purchasing a home may not exceed the following: except the Planning Director or his designee may increase the DPL amount to provide gap financing contingent upon availability of funding.

1. City Funding Sources; except NAHTF:

<u>Median Household Income</u>	<u>Maximum DPL Amount</u>
80% and Below	Up to \$60,000.00
Over 80%	Ineligible to Purchase

2. NAHTF:

<u>Median Household Income</u>	<u>Maximum DPL Amount</u>
80% and below	Up to \$60,000.00
*81% - 100%	Up to \$50,000.00

D. INTEREST RATE FOR DPL

The Deferred Payment Loan will be provided without interest.

GENERAL CONSIDERATIONS FOR LOANS AND DEFINITIONS

The Planning Department may provide funding to finance homebuyer loans for single-family units that are purchased from an eligible developer. The following general considerations and definitions apply:

*If included in NAHTF Application

1. **Downpayment Assistance**

Assisted housing must meet the requirements below:

- a. Housing must be single-family residential property containing no more than one unit. Mobile homes (on a permanent foundation and not on a permanent foundation) are not eligible for assistance.
 - b. The purchase price for new construction shall not exceed the fair market appraised value. In addition, either the fair market appraised value for newly constructed property or the after rehabilitation value of a rehabilitated property cannot exceed 95 percent of the median purchase price for the Omaha Metropolitan Statistical Area set forth in 24 C.F.R. 92.254(A)(2)(iii) for that type of single-family house.
2. **Affirmative Marketing Policy (24 C.F.R. 92.351).** Developer shall comply with the City's Affirmative Marketing Policy. These affirmative marketing procedures must be employed in the advertising and marketing of projects. In marketing, Developer shall also conform to the non-discrimination provisions herein described.

The City of Omaha will market the availability of ADDI funds through (1) enforcement of the City's Affirmative Marketing Policy requirements under agreements with the CHDOs and subrecipients undertaking new construction programs or acquisition, rehabilitation and resale programs and (2) a targeted outreach program. The City of Omaha will conduct targeted outreach to residents and tenants of public and manufactured housing and to other families assisted by public housing agencies for the purpose of ensuring that the ADDI funds when available are used to provide downpayment assistance for such residents, tenants, and families. Included as a method of outreach will be notification to the Omaha Housing Authority and the Douglas County Housing Authority of the availability of assistance to potentially eligible residents and tenants with a description of the program, the eligibility requirements and a listing of the CHDOs and subrecipients with whom the City is partnering to create the eligible single-family units.

3. **Affordability Period (24 C.F.R. 92.254(a)(4))** is that time period either five (5), ten (10) or fifteen (15) years beginning at the time of loan closing with the homebuyer that the homebuyer and subsequent homebuyer must reside in the property as their principal place of residence. If a project receives both HOME and ADDI funds, the total of HOME and ADDI funds in the project is used for calculating the Affordability Period.

The amount of the loan to the homebuyer triggers the affordability period. Those amounts and the affordability period are listed below.

<u>Homeownership Assistance Amount Per Unit</u>	<u>Minimum Affordability In Years</u>
Under \$15,000.00	5
\$15,000.00 to \$40,000.00	10
Over \$40,000.00	15

During the Affordability Period, the initial homebuyer and the household must meet the income and mortgage limits and must reside in the assisted home as their principal place of residency or repay the City's loan in accordance with the terms of the deed of trust, promissory note securing the loan and the City's Recapture Provisions. After repayment, the owner is then free to sell the home to any buyer at any price.

4. **Amendment to Guidelines Process.** An amendment to these guidelines will require approval by the Mayor of the City of Omaha or his designee and an authorized representative of the Nebraska Department of Economic Development before the amendment becomes effective.
5. **Applicant/Borrower** – shall mean **all** persons owning the property to be purchased under the loan agreement between Developer and the City. If the Owner purchases as a married person, Owner's spouse must sign at a minimum Request for City Financing, deeds of trust and promissory notes securing City's loans, and other documents deemed necessary by the City. Note: A credit report is required for the Owner and the Owner's spouse.
6. **Applicant's/Borrower's Income** – shall mean anticipated annual household income, which is verifiable, stable and likely to continue. The income from a boarder, VISTA allowance and Foster Care benefits are not considered borrower's income. It will be necessary to submit copies of the past three years Federal income tax returns.
7. **Application Acceptance Dates** – shall mean the term in which the Agreement between the City of Omaha and Developer is in effect and the property constructed meets property standards as certified by a City Construction Specialist.
8. **Application Process.** To apply for a loan from the City, the Applicant should schedule an appointment to make a loan application with Developer.

The Applicant should have these documents listed below at the time of loan application:

- a. Picture identification.
- b. Copies of the last three years tax returns.
- c. Copies of pay check stubs for at least 30 consecutive days.
- d. Copy of Divorce Decree.
- e. Proof that child support and/or alimony payments are current for past twelve consecutive month period.

- f. Copy of Bankruptcy, Chapter 7 or Chapter 13, Court Order of Discharge and a letter explaining the reason for the bankruptcy.

The applicant shall contact a lender of their choice for first mortgage financing and Omaha 100, Inc. for the City's second and/or third mortgage financing. Once a preliminary determination of loan eligibility is made, the applicant enters into a Purchase Agreement with Developer contingent upon applicant receiving funding necessary to purchase the property.

Omaha 100 submits applicant's loan application to the City for preliminary loan approval for the applicant to receive financing from the City.

If application receives preliminary approval by the City, the City will submit a Proceed Order to Developer authorizing the organization to proceed with homebuyer loan closing. The Proceed Order also informs Developer that the applicant's loan approval must be maintained through loan closing and that any changes in the loan application must be reported to the City and Omaha 100 by Developer and potential homebuyer as soon as possible to determine if applicant is still eligible to purchase. (Some changes in application prior to loan closing that may be reasons for the City to deny the loan are: an increase or decrease in anticipated income, change in jobs with more than thirty (30) days between end of old job and the start of the new job, household members change, marital status changes, request for a divorce is filed, delinquent credit debts, becoming a City employee either full-time, part-time or seasonal, etc.)

If applicant does not meet eligibility requirements for a City loan, a letter is sent to Developer with a copy to the applicant denying the loan along with reason(s) for denial.

9. **Application Selection Process.** Applications for funding will be considered 1) first-time homebuyer as defined herein, 2) in the order the request for financing is received from Developer by the City, 3) the order of City approval (first come - first served); with the exception that a displaced person shall be ranked first, 4) the date of approval, and 5) the time the application was received by the City.
10. **Bankruptcy.** If applicant has filed a Bankruptcy (Chapter 7 or Chapter 13), within past ten (10) years, applicant must have established a verifiable traditional form of credit over a six-month period or two nontraditional verifiable forms of credit over the past six months commencing after the Bankruptcy Court entered its Order of Discharge.

A copy of the Court Order of Discharge and a letter explaining the reason for filing bankruptcy and circumstances surrounding it must be submitted with initial application.

11. **City of Omaha Employee Conflict of Interest.** Pursuant to Section 8.05 of the City's Home Rule Charter, no elected official or any officer or employee of the City shall have a financial interest, direct or indirect, in any City Agreement. Any

violation of this section with the knowledge of the person or corporation contracting with the City shall render the Agreement void by the Mayor or the City Council.

12. **Client.** A client is a qualified participant making application to Developers to participate in the City's Affordable Housing Program.
13. **Collection Accounts.** Collection accounts must be paid or a repayment agreement must be in effect. The agreement must be current with a minimum of six months payment history.
14. **Conflict of Interest.** – The Developer shall agree to abide by the provisions of 24 C.F.R. 92.356 with respect to conflicts of interest, and covenants that it presently has financial interest and shall not acquire any financial interest, direct or indirect, which would conflict in any manner or degree with the performance of services required under their Agreement with the City. The Developer shall further covenant that in the performance of their Agreement with the City, no person having a financial interest shall be employed or retained by the Developer. These conflict of interest provisions apply to any person who is an employee, agent, consultant, officer or elected official or appointed official of the City or any designated public agencies or subrecipients which are receiving funds under the entitlement programs.
15. **Construction Financing.** The City will not provide construction financing to Developer.
16. **CDBG, Initial Sales Price.** The maximum purchase price cannot exceed the Nebraska Investment Finance Authority (NIFA) Targeted Area first-time homebuyer limitation.
17. **Cosigner.** Any debt in which the applicant is a cosigner shall be considered a financial obligation against the applicant.
18. **Credit History.** A credit report will be ordered for all applicants and also for a spouse of an applicant who will not be listed on the warranty deed.
19. **Debt-to-Income Ratio (DIR)** – shall mean the monthly total of all mortgage payments, real estate taxes, **special** assessments, property insurance premiums, mortgage insurance premiums and liabilities (excluding utilities, Federal income taxes, State income taxes and Social Security payments) divided by the gross monthly income. The maximum DIR is 42%.
20. **Deferred Payment Loan (DPL) to Assist Homebuyer.** Deferred Housing Payment Loans to assist Homebuyers are loans from City HOME, Affordable Housing Program funds, without interest, in amounts ranging from \$1,000.00 to \$60,000.00 based on the type of house purchased. To provide a DPL greater than \$60,000.00 requires approval as gap financing by the City of Omaha Planning Department Director or his designee. The DPL is secured by no less

than second and third lien positions. They do not require repayment provided the initial homebuyer and subsequent homebuyer, if applicable, retains title and resides in the property as their principal place of residence through the affordability period described in the promissory note, securing the DPL.

The DPL immediately becomes due and payable if the owner no longer resides in the property as their principal place of residence, sells, rents, conveys or vacates the property before the residency requirement is met or upon violation of any of the terms of the deeds of trust.

Only those households whose annual household incomes are 120% or less of the Median Income by Family Size (MFI) as established annually by the U.S. Department of Housing and Urban Development (HUD) may be considered for a DPL for the CDBG Program and 80% or less MFI for other Affordable Housing Program funds. In some instances NAHTF Awards may assist buyers whose MFI is 81% to 100%.

21. **Development Subsidy Grant (Unsecured).** The development subsidy grant amount is the difference between the cost to rehabilitate or construct the property and the fair market appraised value of the property. The subsidy shall be unsecured grants paid directly to the non-profit organizations in an amount not to exceed \$20,000.00 on any individual property commencing with the 2009 Agreements between the City and Developers. Upon written request, the Planning Director may increase the development subsidy grant on a case-by-case basis. In no event will the development subsidy grant exceed the difference between the project cost and the fair market appraised value of the property. If the project is funded by NAHTF, the development subsidy grant shall not exceed the maximum allowable under the NAHTF.
22. **Divorce – Final Decree.** A divorce is final when a decree dissolving a marriage becomes final and operative thirty days after the decree is entered or on the date of death of one of the parties to the dissolution, whichever occurs first. If the decree becomes final and operative upon the date of death of one of the parties to the dissolution, the decree shall be treated as if it became final and operative the date it was entered.
23. **Divorce – Joint Debts.** In the case of a divorce, any debts remaining in both names originating prior to the Court granting of a divorce decree shall be considered a financial obligation against the applicant. A copy of the official divorce decree must be submitted with the loan application.
24. **Energy Conservation Code.** Newly constructed houses receiving NAHTFs shall meet or exceed the current International Energy Conservation Code. The City shall submit all building specifications to the Nebraska Energy Office for approval prior to the commencement of any construction.

25. **Eligible Contractors.** Non-profit organizations shall obtain a certification by the City that they have never been debarred or disqualified from participation in Federal programs. In addition, non-profit organizations shall obtain a certificate from each contractor or subcontractor to be used on projects to the effect that each contractor or subcontractor has not been debarred or disqualified by HUD.
26. **Eligible Property.** An eligible property is any single-family residential unit (with the exception of mobile homes on permanent foundations and mobile homes not on permanent foundations) that will serve as the purchaser's principal place of residence, was acquired, rehabilitated or constructed by an eligible non-profit corporation, will be purchased by a qualified purchaser, the maximum property value does not exceed the initial sales price limits for the HOME and ADDI Programs, the NIFA first-time homebuyer limits for City's CDBG, NI and EDI Programs that are in effect at the time of loan closing and appropriate property standards have been met.
27. **Employment History** – shall mean a verifiable and continuous two-year work history, with no more than 30 days break in employment from the end of the old job to the beginning of the new job, or a verifiable source of other income such as Social Security, pension, annuity, etc. In some instances, education may be substituted for employment if the applicant was a full-time student and has been employed at a current job for twelve consecutive months and the income is most likely to continue.
28. **Fair Housing.** The City has a HUD approved analysis of impediments to fair housing and is in the process of reviewing an update to that analysis. The update is being conducted by Family Housing Advisory Services, a HUD certified comprehensive housing counseling agency through its Fair Housing Center Division, recipient of six HUD Fair Housing Initiative project awards. Preliminary findings from that document indicate no problems associated with the Omaha Affordable Housing Program or any other programs administered by the City with regard to fair housing. The City, its contractors and subcontractors shall continue to comply with the Fair Housing Act (42 U.S.C. 3601-20) and implementing regulations at 24 C.F.R. Part 100; Executive Order 11063 (Equal Opportunity in Housing) and implementing regulations at 24 C.F.R. Part 1, in the administration of projects involving housing.
29. **Family** – shall mean all persons living in the same household who are related by birth, marriage or adoption.
30. **Foreclosure or Deed in Lieu of Foreclosure.** If provided in the loan agreement between the City and the non-profit organization, in case of a foreclosure or upon receipt of a Deed in Lieu of Foreclosure, the non-profit organization may buy out the first mortgage and the second mortgage using HOME or CDBG funds. No additional funds will be disbursed to rehabilitate the Property. After any rehabilitation of Property, the maximum DPL to assist the homebuyer in purchasing the Property shall not exceed the maximum amounts identified in the loan agreement providing the funding.

Foreclosed or Deed in Lieu of Foreclosure properties are considered existing properties. Acquisition and homebuyer financing may be available to assist the non-profits in purchasing these projects. No Federal funds will be used for rehabilitation if the property was previously constructed or rehabilitated with Federal funds provided by the City.

31. **Grievance Procedure.** During the initial twelve month-period commencing after the date of loan closing with the homebuyer, the following grievance procedure applies.

a. When grievance is of a serious nature in which the health safety and welfare of the occupants will be affected, the procedure listed below must be followed.

1. Homebuyer must contact the Developer the house was purchased from to explain the grievance.
2. The Developer must correct or an acknowledgement of the problem must be made by the Developer organization to the homebuyer immediately (twenty-four hours).
3. If the problem is not corrected or acknowledged by the Developer to the homebuyer immediately, the homebuyer should call the Planning Department at 444-5150 and inform the department of the seriousness of the complaint.
4. The City will follow-up with the Developer and homebuyer to determine appropriate action. A letter will be sent to the homeowner informing them of the outcome of their grievance within 15 days of notification.
5. Disputes may be taken before the Planning Department Homebuyer Arbitration Committee by making a written request for arbitration to James Thele at the address below.

James Thele, Assistant Planning Director,
1819 Farnam Street, Suite 1111
Omaha, Nebraska 68183

b. When the health, safety and welfare of the occupants are not threatened, the grievance is not of a serious nature, the following procedure applies:

1. Homebuyer is to contact the Developer the house was purchased from in writing by certified mail with a return receipt requested, stating the nature of the complaint. A copy of that letter is to be sent to the City of Omaha to the attention of James Thele at the above address.

2. The Developer will have the opportunity to fix the problem or acknowledge the problem. If the problem is not corrected or an acknowledgement of the problem is not made by the nonprofit organization to the homebuyer within two weeks from the date of the letter, the homebuyer is to make a written complaint to the City to the attention of James Thele at the above address. The complaint to the City must include a copy of the certified letter sent to the nonprofit organization.
 3. The City will follow up with the Developer and homebuyer to determine appropriate action. A letter will be sent to the homeowner informing them of the outcome of their grievance within 15 days of notification.
 4. Disputes may be taken before the Planning Department Homebuyer Arbitration Committee by making a written request for arbitration to James Thele at the above address.
- c. Longer warranty periods are specified in the warranty described herein under "Warranty".

32 **Homebuyer Financing Documents.** Documents checklist packet must be submitted to the City. The documents shall not be more than six months old at time of loan closing.

This checklist items include, but are not limited to, the following documents:

- a) Demographic information worksheet and evidence the applicant is a first-time homebuyer as defined herein, if applicable;
- b) Affidavits as to marital status, household members to reside in property, and any other appropriate affidavits;
- c) Purchase Agreement for acquisition of property to be constructed;
- d) Request for financial assistance;
- e) Consent for second and/or third mortgages (if applicable);
- f) Credit report;
- g) DIR/HIR worksheet;
- h) Third party verification of employment;
- i) Third party verification of bank deposits;

- j) Bankruptcy documents (if applicable);
 - k) Previous three years federal income tax returns;
 - l) Loan application for first mortgage financing;
 - m) Lead-based paint notice;
 - n) Fair Market Value appraisal;
 - o) FHAS homebuyer counseling certificate;
 - p) Terms and Conditions of City's loans; and,
 - q) Property insurance binder with mortgage endorsement covering the City's loans.
33. **Homebuyer Counseling Services.** Developers participating in the City's Affordable Housing Program for Homebuyers shall ensure that all clients are referred to FHAS or any other counseling agency approved by the City for housing counseling as part of their homebuyer eligibility criteria. A copy of the homebuyer certificate must be submitted to the City along with the client's request for financing.
34. **Household** – shall mean all persons who will occupy the property. The occupants may be a single-family, one person living alone; two or more families living together, or any other group of related or unrelated persons who share living arrangements and includes:
- a. Any dependent child under the age of 19. If a child is claimed for income tax (IRS) purposes, the City will consider the child a dependent.
 - b. Any independent member who will live in the household full time.
35. **Household Income** – shall mean the annual incomes of all titleholders listed on the warranty deed to be recorded in the Douglas County Register of Deeds Office and all other household members 19 years of age and older (see Number 40 herein).
36. **Housing-Income Ratio (HIR)** – shall mean the monthly total of all mortgage payments, real estate taxes, special assessments, property insurance premiums and mortgage insurance premiums (excluding utilities, Federal income taxes, State income taxes, Social Security payments) divided by the gross monthly income. The maximum HIR is 33%. If the DIR is below 40%, the HIR may be increased to 35%.

37. **Housing Quality Standards (HQS)** – shall mean repairs to the property required to bring the property into compliance with the existing Section 8 Housing Program.
38. **Income** – shall mean third party verifications of all owners' income. If a spouse is not listed on the warranty deed, that spouse's income will be verified. All income must be included in the attached sheet for computing annual income, Attachment "A". Annual anticipated income shall include:
- a. Wages, salaries, tips, commissions, etc.,
 - b. Self-employment income from owned non-farm business, including proprietorships and partnerships,
 - c. Farm self-employment income,
 - d. Interest, dividends, net rental income or income from estates or trusts.
 - e. Social Security or railroad retirement.
 - f. Supplemental security income, Aid to Families With Dependent Children, Retirement, survivor or disability pensions,
 - g. Any other sources of income received regularly including Veterans' (VA) payments, unemployment compensation, child support and alimony, and income from assets as shown below:
 1. Amounts in savings or checking account.
 2. Stocks, bonds, savings certificates, money market funds and other investment accounts.
 3. Equity in real property or other capital investments. Equity is the estimated current market value of the asset less the unpaid balance of all loans secured by the asset and reasonable costs (such as broker fees) that would be incurred in selling the asset. Do not include equity in principle residence (home equity).
 4. The cash value of trusts that are available to the household.
 5. IRA, Keogh and similar retirement savings accounts, even though withdrawal would result in a penalty.
 6. Contributions to company retirement/pension funds that can be withdrawn without retiring or terminating employment.
 7. Assets, which although owned by more than one person, allow unrestricted access by the applicant.

8. Lump sum receipts such as inheritances, capital gains, lottery winnings, insurance settlements and other claims.
 9. Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.
 10. Cash value of life insurance policies.
 11. Assets disposed of for less than fair market value during two years preceding certification or re-certification.
- h. Actual income from assets if total assets are \$5,000.00 or less.
- i. If assets are more than \$5,000.00, the greater of actual income from assets or total assets times current passbook rate. The current passbook rate is 2%.
- j. Assets do not include:
1. Necessary personal property except personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.
 2. Interest in Indian trust lands.
 3. Assets that are a part of an active business or farming operation.
- NOTE: Rental properties are considered personal assets held as an investment rather than business assets unless real estate is the applicant's/tenant's main occupation.
4. Assets, which are not accessible to the family and will provide no income for the family.
 5. Vehicles especially equipped for the handicapped.
 6. Equity in owner-occupied cooperatives and manufactured homes in which the family lives.
 7. Equity in principle residence (home equity).

NOTE: Income averaging is not acceptable.

39. **Initial Sales Price Restriction.** The maximum sales price of any NAHTF, HOME-and ADDI-funded houses cannot exceed either the Section 203(b) limits or the actual 95% of median sales price limit for the Omaha Metropolitan Statistical Area.

40. **Insurance.** The applicant must have at least a fire and extended coverage hazard insurance policy in force for a minimum of twelve months from the date of loan closing. The policy must have a proper mortgage endorsement in favor of the City in an amount not less than the total of all mortgages/deeds of trust to be secured against the property at loan closing.
41. **Judgments.** Judgments that will become liens to the property to be purchased must be paid in full or satisfied prior to loan approval.
42. **Lead-Based Paint Prohibition.** Lead-based paint shall not be used on any constructed property receiving financing through the City's Affordable Housing Program for Homebuyers. The non-profit organizations, its contractors and subcontractors shall abide by and comply with HUD's lead-based paint regulations.
43. **Legal Separation.** Applicant that is legally separated will be subjected to the same underwriting criteria as a married person; therefore, both signatures (husband and wife) shall be required on City loan closing documents.
44. **Leverage/Matching Funds.** Non-profit organizations shall provide written evidence that funds detailed in the Project Budget for each house to be acquired, constructed or rehabilitated has been committed or secured for project no later than the date of loan closing for each house.
45. **Loan Assumption.** Loan assumptions must receive prior approval, in writing, by the City Council.
46. **Low- and Moderate-Income Household** – shall mean a household whose annual income does not exceed 80% of Median Family Income (MFI) limits for the area as established by the U.S. Department of Housing and Urban Development (HUD).
47. **Median-household Income** – shall mean the household incomes as published annually by HUD based upon the Median Family Income by household size for designated areas.
48. **Mobile Homes.** Mobile Homes not on permanent foundation and mobile homes on permanent foundations are ineligible for financing through the City's Affordable Housing Program for Homebuyers.
49. **Moderate-Income Household** – shall mean a household having a median income between 81% and 120% of Median Family Income limits for the area as established annually by HUD. (HOME and NI funded projects must be 80% MFI and below at the time of application and loan closing, while NAHTF projects can go up to 100% MFI and CDBG funded projects can go up to 120% MFI).

50. **NAHP Eligible Costs.** When non-profit organizations use Nebraska Affordable Housing Trust Funds (NAHTF) to assist in the construction of properties and subsequently provide those funds to the homebuyer, the development subsidy and/or project soft costs cannot exceed the Maximum per unit NAHTF subsidy. The NAHTF financial assistance provided to the homebuyer by the non-profit organizations shall be secured by a second or no less than a third mortgage/deed of trust or other City security agreement.
51. **Nepotism** – Favoritism shown to a relative to participate in the Affordable Housing Program for Homebuyers is not acceptable.
52. **Non-Discrimination.** 1) The Subrecipient shall not discriminate or permit discrimination in violation of Federal or State laws or local ordinances because of race, color, sex, age, political or religious opinions, affiliations, national origin, familial status or handicap. 2). The City of Omaha does not discriminate in admission or access to, or treatment or employment in, its federally assisted programs and activities. To this end, no otherwise qualified individual with a handicap shall, solely by reason of his or her handicap, be excluded from participation in, or be denied the benefits of, or be subjected to discrimination under this or any other City-sponsored program or activity. The person responsible for coordinating the Planning Department's efforts to comply with its non-discrimination policies is Marian Todd, Section 504 Coordinator, Planning Department, Suite 1111, 1819 Farnam Street Omaha, Nebraska 68183-0110, (402) 444-5217 (V/TDD 444-5150). 3) Persons desiring to file a complaint with the City of Omaha concerning an allegation of discrimination shall contact the Human Relations Department at (402) 444-5025 (V/TDD 444-5055).
53. **Owner** – shall mean all persons listed on the title of the property (warranty deed) to be filed in the Douglas County Register of Deeds Office. The owner shall reside at the property as their principal place of residence.
54. **Privacy Act.** The City will not permit the release of any records or information concerning any applicant or borrower that would constitute a “clearly unwarranted invasion of personal privacy” within the meaning of 5 U.S.C. 552(b)(6) unless required under State law. In applying this standard, the City may release the name of borrower or applicant, the address of the property and the proposed or actual amount of the City's loan.
55. **Property Standards** – shall mean that upon completion of the new construction work on the property shall comply with all appropriate Federal, State and local laws, ordinances, regulations and codes, including, but not limited to Section 8 Housing Quality Standards for Existing Homes (HQS) as established by HUD, City of Omaha Property Rehabilitation Standards (PRS), NDED Rehabilitation Standards, and accessibility requirements, where applicable.
56. **Qualified Aliens.** The client and household must be a Qualified Alien to participate in the City's Affordable Housing Program. Qualified aliens, defined in

§431 of the Personal Responsibility Work Opportunity Reconciliation Act of 1996 (PRWORA), as amended, include:

- Aliens lawfully admitted for permanent residence under the Immigration and Nationality Act (INA), 8 USC 1101 et seq.;
- Refugees, admitted under §207 of the INA;
- Aliens granted asylum under §208 of the INA;
- Cuban and Haitian Entrants, as defined in §501(e) of the Refugee Education Assistance Act of 1980;
- Aliens granted parole for at least one year under §212(d)(5) of the INA;
- Aliens whose deportation is being withheld under (1) §243(h) of the INA as in effect prior to April 1, 1997; or (2) §241(b)(3) of the INA amended;
- Aliens granted conditional entry under §203(a)(7) of the INA in effect before April 1, 1980;
- Battered aliens, who meet the conditions set forth in §431(c) of PRWORA, as amended;
- Victims of a severe form of trafficking, in accordance with §107(b) of the Trafficking Victims Protection Act of 2000, P.L. 106-386.

57. **Recaptured Funds Reuse.** Recaptured funds – shall mean funds returned to the City during the Affordability Period when the property is sold or is no longer the initial and subsequent homebuyer's principal place of residence. The recaptured funds will be used by the City in accordance with the City's Program Income Reuse Plan for the NAHTF Program.

58. **Reuse CHDO Proceeds.** CHDO Proceeds – shall mean the gross HOME proceeds less any construction loan financing (CDBG/HOME funds or private) from the sale of houses commencing after CHDO agreement with the City is approved. The CHDO shall be permitted to retain CHDO Proceeds. CHDO will use the CHDO proceeds to further its affordable housing program to provide homeownership opportunities that benefit low- and moderate-income households in the City of Omaha.

59. **Reuse Program Income.** Program income – shall mean the gross income received by the non-profit organization directly generated from the use of NAHTF, HOME, CDBG, and NI funds. When such income is generated by an activity that is only partially assisted with NAHTF, HOME, CDBG, and NI funds, the income generated shall be prorated to reflect the percentage of NAHTF, HOME, CDBG, and NI funds used. Any program income funds received shall be returned to the City within thirty (30) days of receipt and prior to any additional distribution of funds.

The City of Omaha will use program income directly generated from the use of Nebraska Affordable Housing Trust Funds (NAHTF) to further affordable housing programs eligible under the Nebraska Affordable Housing Act. All NAHTF program income will be used in accordance with the NAHTF program requirements. The definition of program income is contained in Chapter 10 of the Nebraska Department of Economic Development (NAHTF) Manual.

Activity Priorities

- A. Acquisition of property for the construction of new affordable housing;
- B. Infrastructure projects necessary for the development of affordable housing;
- C. Rehabilitation of affordable rental housing; and,
- D. Other affordable housing activities eligible under the Nebraska Affordable Housing Act.

Geographic Priorities

- A. City of Omaha Neighborhood Revitalization Strategy Areas;
- B. Low- and Moderate-Income Census Tracts in the City of Omaha; and,
- C. Other areas within the City of Omaha.

Amendments

All amendments to the City of Omaha Program Income Reuse Plan require the approval of the Nebraska Department of Economic Development.

- 60. **Sale of Property.** In the event of sale of the property, all outstanding loan balances must be repaid to the City in accordance with the promissory notes. Upon receipt of loan payoffs to the City, the City will prepare necessary documents releasing the encumbrances.
- 61. **Security Instruments.** The security instrument for a Deferred Payment Loan will be a deed of trust with a copy of the promissory note attached and marked "Schedule A" that shall be recorded in the Douglas County Register of Deeds Office.
- 62. **Single-Family Unit.** For the Affordable Housing Program for Homebuyers, single-family unit shall mean a residential property containing no more than one unit. Mobile homes on permanent foundations and not on permanent foundations are not eligible for funding.
- 63. **Subordination of a City DPL.** The City will only subordinate its lien interest if the new loan to which it would be subordinate is equal to the balance of any existing liens plus reasonable closing costs. A request must be made in writing to the City Planning Department. The City will usually agree to subordinate its lien interest in the case of refinancing a superior existing lien(s). The amount of the new lien may not exceed the current balance of the superior existing lien(s)

plus reasonable closing costs. The Mayor and/or City Council have final approval authority.

The City will not subordinate its interest to facilitate the incurrence of additional debt.

64. **Subrecipient** – shall mean a public agency or non-profit organization receiving funding from the City to undertake eligible activities in the City's Affordable Housing Program for Homebuyers.
65. **Special Assessments.** Special assessments are the homeowner's responsibility to pay. They must be current throughout the term of the DPL.
66. **Taxes.** All local, state, federal and real property taxes are the responsibility of the homeowner to pay. They must be current at the time of loan closing and remain current throughout the term of the DPL.
67. **Titleholders** – shall mean all names the title will be vested in on the warranty deed that shall be recorded in the Douglas County Register of Deeds Office.
68. **Verifications** – shall mean all third party supporting documents obtained within the past six months prior to loan approval and loan closing by the City. These documents include, but are not limited to, employment, child support, alimony, pensions, Social Security, bank deposits; mortgages (secured and unsecured) credit information. In the case of rental property, the mortgage, property insurance, rental income and utilities shall be verified. Rents shall be determined by the Fair Market Rent or HOME Rents Limits and City of Omaha utility allowance shall determine utilities.
69. **Very Low Income Household** – shall mean a household having an annual income equal to or less than 50% of Median Family Income limits for the area as established annually by HUD.
70. **Warranty** – The Non-profit organization or its Contractor warrants that all improvements, hardware, and fixtures of whatever kind or nature to be installed or constructed on the Property by the Contractor or the Contractor's sub-contractors will be of good quality, suitable for their purpose, and free from defects in workmanship or materials or other deficiencies. This is a full warranty extending the initial Homeowner and subsequent Homeowners of the Property; provided, however, that the warranty set forth in this paragraph shall apply only to the efficiencies and defects about which the Homeowner or subsequent Homeowner(s) shall have notified the non-profit organization that sold the property to the Homeowner WITHIN ONE YEAR for loan closing with the Homeowner, except for any longer warranty periods specified in the warranty. (NOTE: Non-profit/Contractor is to supply extended warranty documents to Homeowner(s) at the time of loan closing.)