



## - - - DIRECT BUYER SUBSIDY - - -

### NAHSI has a flexible Sustainable Lending Policy with Underwriting Standards that help potential borrowers reach their goal of homeownership.

1. The amount of the direct buyer subsidy is limited to the minimum amount necessary as determined by a subsidy layering analysis and underwriting of the project. Loans from primary lenders shall comply with the following requirements:
  - a) The loan must have a minimum loan term of 30 years.
  - b) Temporary interest rate buy-downs are not permitted.
  - c) The loan must be fully amortizing and have a fixed interest rate that does not exceed the current market-rate, established by the 90-day "posted yield" for 30-year fixed rate loans, as established by Fannie Mae at <https://www.efanniemae.com/sf/refmaterials/hmy/index.jsp>, plus 100 basis points. This means that loans that have an "interest-only" period are not eligible, even if they convert to a fully-amortized loan at some point in the loan term.
2. The Lender can be a financial institution or a family member.
3. Household income cannot exceed Program limits based on location of house and family size.
4. Non-Residents -Borrowers pending receipt of a green card are allowed as long as they have a work permit, two years residing in the United States, and two years of established credit. This also applies to borrowers with political asylum (depending on the type of visa).
5. Borrowers are responsible for Lender's downpayment requirements.
6. Credit score minimum as per lender on government financing. Minimum credit score for nongovernment first mortgage is 680 FICO score.
7. Non-Occupying Co-Borrower -Use all income/all debts to arrive at ratios for qualification purposes only, cannot offset poor credit. Primary Borrower source of income must represent at least fifty percent (50%) of qualifying income.
8. NAHSI must be listed on the Homeowner's Insurance Policy as a Mortgagee.
9. All income and assets must be verified for the prior three (3) months from the date of application.
10. All assets must be verified by a Verification of Deposit and 3 months consecutive bank/institution statements.
11. Liquid Assets -Borrower's with liquid assets in excess of \$15,000 after closing is not eligible for direct buyer subsidy. IRAs, pensions, 401Ks, and other retirement accounts will not be including in asset calculation.
- 12.No cash back to homebuyer at closing.



## II Sustainable Lending Policy

1. Housing Ratio cannot exceed 25% of borrower household's gross income. Direct buyer subsidy from the HOME program will be furnished to the borrower(s) to keep housing ratio at or below 25% of gross income. Direct buyer subsidy cannot exceed \$75,000, which is the direct homebuyer assistance per Subsidy Layering Requirements, with a minimum of \$10,000; any person(s) whose housing ratio exceeds 25% with the maximum down payment amount will not qualify for this program. Total Debt ratio cannot exceed 38%. These ratio limitations reflect NAHSI's concern for Sustainable Homeownership and Affordability for the homebuyer.
2. Borrower must attend a qualified Homebuyer Education class. NAHSI will furnish Borrower with a list of acceptable homebuyer education classes. Attendance is mandatory and evidenced by the workshop certificate.

## III. Refinancing

1. First Mortgage can be refinanced if it is a "No cash out" refinance and NAHSI will subordinate the second mortgage.
2. NAHSI must review new first mortgage terms to determine it is not an unacceptable loan, meaning higher interest rates, high income/debt ratios, and loan term.
3. Second mortgage is not assumable.
4. If Homeowner pays off second mortgage before affordability period is reached, HOME rules still apply to the home.

