

Accessing NSP Funds: Process for Lenders & Real Estate Agents Homeownership NSP Acquisition / Rehabilitation Loan

The following is intended to provide Residential Mortgage Lenders with a step-by-step guide to access Neighborhood Stabilization Program (NSP) funds for eligible borrowers.

Step 1: Initiate Acquisition of Eligible Property

Homebuyer initiates acquisition through a Lender or Real Estate Professional. The Lender will be responsible for guiding borrower through the process to access NSP Funding for either down payment assistance, rehabilitation costs or both. Guiding the borrower through the process involves ensuring all NSP compliance requirements are met.

Complete the attached [Initial Property Set Up Form \(.pdf\)](#) and submit via mail or email to any OHCS Staff.

Step 2: Determine Eligibility of Property:

- The property must be contained within an [NSP Target Area Boundary](#) as evidenced by the [map posted on the OHCS website](#). If you are unsuccessful in verifying property eligibility on the [OHCS website](#) you may contact OHCS.
- The property must be a “Bona Fide” foreclosure as evidenced by a Trustee’s Deed.

Maintain eligibility of property documentation in loan file

Step 3: Determine Income Eligibility of Homebuyer & Homebuyer Counseling Requirement

A. Homebuyer Income Eligibility

- Borrowers do not have to be first time homebuyers.
- If approved for NSP funds, the home purchased with NSP assistance MUST be the borrower’s primary residence.
 - a. To determine a borrower’s income eligibility please refer to the [Income Limits Form \(.pdf\)](#).
 - b. You may want to contract with a local non-profit entity that has qualified staff with experience in conducting income verification.

Maintain all income verification documentation in loan file

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B. Homebuyer Counseling

All homebuyers (regardless of whether they have owned a home previously) must complete 8 hours of homebuyer education through the “The ABC’s of Homebuying” and “Realizing the American Dream” classes offered by an [OHCS Approved Homebuyer Training Provider](#) prior to closing.

Maintain a copy of the homebuyer’s Certificate of Completion for Homebuyer training in loan file.

Step 4: Initial Offer on Property

A. The purchase agreement between the homebuyer and seller must address the following:

- a. It must be written into the purchase agreement that “Neighborhood Stabilization Program funds from the U.S. Department of Housing and Urban Development (HUD) will be used in acquiring this property”. You may want to make the purchase agreement contingent upon getting final approval by the NSP Program.
- b. The purchase price must be at least 1% less than the “As-Is” appraised value (You will not be able to determine the value until after completing the appraisal).
- c. The appraisal can be no more than 60 days old from the day of the final purchase price offer.
- d. The seller must agree to sign the attached [Voluntary Acquisition Notice & Addendum to Purchase Agreement \(.pdf\)](#).

Maintain purchase agreement and all addendums in loan file.

Step 5: Appraisal

A. The appraisal must be a full interior and exterior as-is appraisal that is developed according to standards set forth in [49 CFR 24.102](#) and [49 CFR 24.103](#). See the following documents for additional guidance:

- [Guidance on NSP Appraisals\(.pdf\)](#)

Remember: The purchase price must be at least 1% less than the “As-Is” appraised value.

Maintain copy of appraisal in loan file

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Step 6: Submit the [NSP Fund Reservation Request Form \(.pdf\)](#) to OHCS NSP staff with the following attachments:

- Loan application form to primary lender
- Pre-approval letter or commitment letter from the primary lender
- Good Faith Estimate
- Executed purchase agreement with the sellers signature accepting the offer with all required addendums (Fair Market Value, Notice of Voluntary Sale and Property Inspection & Environmental Review, and Lead Based Paint Disclosure). A Successor of Interest addendum is required for properties that will be rented/leased – contact OHCS for this form.
- Copy of the most recent pay stub from all employed in the household. Please ensure that the employee's and employer's name is on the pay stub.
- Copy of Income Verification of homebuyer, using the [HUD Calculator](#)
- Copies of the three most recent bank accounts, including all checking, savings and retirement accounts for everyone in the household.
- Verification of U.S. Citizenship
- Current Federal Tax Return
- Proof that the property being purchased is a Bona Fide foreclosure as evidenced by a copy of the Trustee's Deed
- Standard as-is appraisal of the property

Retain copies of all documents submitted to OHCS in loan file

Step 7: Conduct [Housing Quality Standards \(HQS\) Property Inspection \(.pdf\)](#) and, if applicable, a **Lead Based Paint Assessment.**

- A. All NSP properties must be inspected and must meet or exceed HQS. If a local code is used for the inspection, any noted deficiencies or required repairs must be in accordance with HQS.
 - a. Lenders should not conduct the inspection. [A qualified inspector](#) must be used to complete an HQS inspection.
 - b. All properties built before 1978 must have a lead based paint visual assessment. Contact OHCS staff for guidance on lead based paint.
- B. If the property needs substantial rehabilitation and the anticipated cost of construction work is approximately \$5,000 or more see Step 8 below. In some cases, it may be reasonable to complete Step 8 sooner than later to determine the cost feasibility of the transaction.

Maintain the completed HQS Inspection Form and, if applicable, a Lead Based Paint Form [note: this form is not available] in loan file.

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Step 8: Environmental Review & State Historic Preservation Office (SHPO) Clearance

- A. OHCS will conduct the Environmental Review. The lender must contact OHCS staff and request that an Environmental Review be completed for the subject property.

Maintain a copy of the Environmental Review in loan file.

- B. If the home being acquired is 50 years old or more a [State Historic Preservation Office \(SHPO\) Clearance Form \(.pdf\)](#) must be completed by the lender and submitted to any OHCS NSP staff.

Maintain a copy SHPO response (i.e. Clearance Letter) in loan file, if applicable.

Step 9: Rehabilitation Scope of Work and Procurement Requirements

- A. Some properties may require substantial rehabilitation (e.g. over \$5,000). Rehabilitation activities may include but are not limited to:

- Exterior improvements: Roof, siding, window, gutter, concrete, landscaping, doors or other main building component replacements.
- Interior improvements: Flooring, painting, cabinetry, heating & cooling systems, doors, electrical service or fixtures, sanitary systems or fixtures, or other standard interior amenities.

- B. Rehabilitation activities may not include:

- Spas, pools, garage expansions, luxury floor or wall coverings (e.g. marble, granite), room expansions etc.

- C. Lenders should consult with OHCS NSP staff for:

- Approval of scopes of rehabilitation work
- Where to find a rehabilitation specialist to assist scope of work preparation and construction management
- Options for financing rehabilitation such as FHA 203K or other acquisition / rehabilitation programs

Maintain a copy of the Scope of Work, Construction Contract, three or more Construction Bids and any required final certificates or approvals by the local building official.

Step 10: Underwriting Guidelines & Lending Documents

- A. [Underwriting Guidelines for Acquisition \(.pdf\)](#)
- B. [Underwriting Guidelines for Acquisition and Rehabilitation \(.pdf\)](#)
- C. [NSP Promissory Note Form \(.pdf\)](#)
- D. [NSP Trust Deed \(.pdf\)](#)
- E. [NSP Privacy Policy \(.pdf\)](#)

Maintain a copy of all required Lending Documents in loan file.

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Step 11: Request NSP Loan Approval & Certification of Compliance

- A. The [NSP Loan Approval and Certification of Compliance \(.pdf\)](#) must be submitted for final approval by OHCS in addition to the following:
- Copy of completed and approved [HQS Inspection Form \(.pdf\)](#) and Lead Based Paint Visual Assessment Form.
 - Copy of Environmental Review Form (completed by OHCS)
 - Copy of State Historic Preservation Office (SHPO) Form Clearance Letter
 - Copy of Homebuyer Counseling "Certificate of Completion" by and OHCS Approved Homebuyer Training Provider
 - Copy Scope of Work for Rehabilitation (obtain from rehab specialist or construction manager). Include copies of three bids or quotes from licensed contractors.
- Maintain a copy of Loan Approval Request and all Attachments in loan file.

Step 12: Request NSP Loan Disbursement

- A. Submit the NSP Loan Disbursement Request to OHCS for approval.

For questions on how to complete all compliance requirements, you should contact OHCS NSP staff as follow:

Oregon Housing & Community Services
725 Summer St. – Suite B, Salem, OR 97301
Fax: 503-986-2125

Rich Malloy, NSP Coordinator
Email: Rich.malloy@hcs.state.or.us
Phone: 503-986-2142

Aneta Synan, NSP Program Analyst
Email: Aneta.synan@hcs.state.or.us
Phone: 503-986-2109

Jody Haury, NSP Administrative Assistant
Email: Jody.haury@hcs.state.or.us
Phone: 503-986-2112