



Where Stimulus funding makes  
Bay Area homeownership achievable

## Lender FAQs

### WHAT IS HomeHub®

HomeHub® is a unique collaboration of Bay Area developers, government agencies and homebuyer counseling agencies with the shared goal of creating greater awareness, access and understanding for low and moderate income people about the homeownership opportunities made possible by the Neighborhood Stabilization Program.

### WHAT IS THE NEIGHBORHOOD STABILIZATION PROGRAM?

The Neighborhood Stabilization Program (NSP) is a federal stimulus program created in 2008 for the purpose of stabilizing communities suffering from foreclosures and abandonment. Established by the US Department of Housing and Urban Development (HUD), billions of dollars are being distributed to local government agencies across the nation to put toward the purchase and renovation of foreclosed or abandoned homes. Once renovations are complete, these homes are made available to eligible low and moderate-income homebuyers at prices they can afford.

NSP has been introduced to a number of lenders across Bay Area communities and through these great partnerships, many new homebuyers have obtained strong, 30-year fixed mortgages to achieve their dream of homeownership.

While there are some variations on how each government agency may choose to implement the NSP program guidelines (allowing them to respond to local conditions), here is a summary of common practices and requirements:

### THE BASICS

- Prospective buyers must meet income eligibility requirements. Buyers cannot earn more than 120% of the Area Median Income (AMI) per household size in order to qualify. In some cities, the income level is lower, at no greater than 80% of AMI.
- Income verification documentation will be required as part of the overall review of eligibility for each buyer. Most jurisdictions will require a copy of the Uniform Underwriting Transmittal Summary (Form 1008) and the Residential Loan Application (Form 1003) from the lender.
- A buyer must be prequalified for a 30-year fixed rate mortgage; FHA and VA loans are welcome.
- NSP homes are only available to buyers who plan to live in the home, not to investors.
- An eligible buyer must contribute a down payment of approximately 1.75 - 3% of the purchase price. The exact amount will vary depending on the requirements of each NSP jurisdiction.
- An eligible buyer must be prequalified for a 30-year fixed rate mortgage; FHA and VA loans are welcome.
- An eligible buyer must not exceed a 40% debt-to-income ratio.



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- NSP down payment and closing cost assistance is available to buyers in many areas.

#### AFFORDABILITY REQUIREMENTS

One of the obligations for the Neighborhood Stabilization Program is that eligible homebuyers comply with affordability requirements. Depending on the NSP implementation practices in each area, these affordability requirements can be met in a variety of ways.

TO LEARN MORE:

- Contact a participating Developer in your area. Each Developer can share information specific to the NSP affordability requirements that buyers must work within for their homes for sale.
- Contact a participating Real Estate Professional in your area. They have worked with the NSP program requirements and are eager to help you with your buyers.

#### NSP LOAN RESOURCES

- In many areas, the Neighborhood Stabilization Program offers a "silent second mortgage assistance loan" to buyers, which means
  - 1) the loan is subordinate to the first mortgage and
  - 2) while interest accrues on the loan, no interest payments are required to be made by the buyer during the term of the loan. In most cases, a portion of this second loan can be used to cover closing costs. In most cases, this loan can be no more than 3% of the purchase price of the property.
- A government agency providing the NSP mortgage assistance loan is responsible for preparing the 2nd mortgage documentation and sending this documentation to the title company.
- Some cities and counties require that buyers enter into a resale restriction agreement. The government agency is responsible for preparing this agreement and sending the documentation to the title company.

#### HOW TO GET INVOLVED?

Most Bay Area government agencies have a list of preferred lenders they have worked with on various housing initiatives. If you are not already a preferred lender and would like to become a preferred lender for the NSP program, please contact a participating NSP Government Agency in your area.

You do not need to be on a preferred lender list in order to participate. However, it is important to work with the government agency, the developer or the listing agent to ensure that your institution's underwriting guidelines can support the program requirements prior to working with NSP clients.



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Partnership with the mortgage lender community is a key component to the success of the Neighborhood Stabilization Program. Learning how the program works and how your clients can benefit is the primary goal of HomeHub®.

#### LEGAL DISCLAIMER

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