

**PINELLAS COUNTY COMMUNITY DEVELOPMENT DIVISION**  
**Homebuyer Loan Program Underwriting Guidelines**

**OVERVIEW**

The underwriting guidelines describe program requirements and specify the role of Pinellas County and participating lenders. These underwriting guidelines are designed to determine an applicant's financial capacity for repayment of the down payment assistance and to determine the amount of down payment assistance required. When determining the amount of assistance, which is limited to gap financing, the lender's minimum down payment and reasonable closing costs will be considered.

All information used to make the decision must be supported by written documentation outlined in these guidelines and in conjunction with the HOME regulations at 24 CFR 92.254 and/or SHIP regulations at 420.907-9079.

**GENERAL REQUIREMENTS**

Funding provided will be for down payment and closing cost assistance associated with the acquisition of existing or newly constructed homes. Applications will be reviewed on a first-come basis and processed on a first-qualified basis.

**Eligible Applicants**

Eligible applicants include households who:

- have an annual income at or below 120% of Area Median Income (AMI);
- qualify for a 30-year fixed-rate first mortgage from a lending institution. The first mortgage must include escrows for property taxes and hazard insurance, and flood insurance, if applicable. Adjustable-rate mortgages, balloon mortgages, mortgage assumptions, and mortgages that include prepayment penalties are not allowed; and
- meet all other requirements, as applicable.

**Eligible Properties**

Eligible properties include new or existing single-family homes, condominiums, townhomes, or a single unit in a Planned Unit Development that:

- serves as the principal/primary residence of the applicant (rental properties are ineligible);
- are located in an unincorporated area of Pinellas County; and
- meet HUD's Housing Quality Standards (HQS).

***Purchase Price Limits***

The Sales Price of properties may not exceed **\$349,525** for new or existing properties.

New construction is defined as properties completed (built) less than one year from the date of the issuance of the Certificate of Occupancy.

## **DETERMINING HOUSEHOLD CHARACTERISTICS**

### **Household Size**

It is essential to accurately determine household size, as program eligibility is “adjusted for family size”. When determining household size, include people that will reside or intend to reside in the household, **except** the following:

- Children who are away at school
- Live-in aides
- Guests
- Unborn Children

Pinellas County’s verification of household composition requires copies of valid photo identification for all adult household members and birth certificates for all children under the age of 18; therefore, unborn children will not be included as household members.

### ***Married Applicants***

When the applicant is married and the spouse does not intend to reside in the home, documentation of permanent alternate residence must be provided from the absent spouse (IE: Lease Agreement, photo ID and a recent utility bill to verify residency).

## **INCOME GUIDELINES**

### **Income Verification Method**

Pinellas County uses the most common methodology for determining annual income defined in Title 24 of the Code of Federal Regulations, section 5.609 (commonly referred to as 24 CFR Part 5). Always use current circumstances to project income, unless verification forms indicate that a significant change will occur over the next 12-month period.

### **Calculating Household Income**

Income limits vary by family size. When determining household income, all household members are counted, regardless of who is determined eligible/qualified for the first mortgage loan. All household income of persons 18 years and older, who will reside in the property, must be included.

Household income must be at or below 120% of AMI. [AMI and Income Limits by Family Size](#) are published annually.

### **Co-Borrowers/Co-Signers**

All parties who appear on title to the property must meet all criteria of the Program, including income and asset limitations. If the co-borrower does not intend to reside in the home, they are not included in the household size, but the co-borrower's income is included in the annual income calculation.

### **Income Inclusions**

**The following shall be included as income:**

- (1) The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;
- (2) The net income from operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family;
- (3) Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in bullet two above. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD;
- (4) The full amount of periodic amounts received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a \*\*periodic amount (e.g., Black Lung Sick benefits, Veterans Disability, Dependent Indemnity Compensation, payments to the widow of a serviceman killed in action). \*\*See paragraph (13) under Income Exclusions for an exception to this paragraph;
- (5) Payments in lieu of earnings, such as unemployment, disability compensation, worker's compensation, and severance pay, except as provided in paragraph (3) under Income Exclusions;
- (6) Welfare Assistance
  - (a) Welfare assistance received by the family.

(b) If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:

- i. The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus
- ii. The maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph shall be the amount resulting from one application of the percentage.

(7) Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling; and

(8) All regular pay, special pay, and allowances of a member of the Armed Forces, except as provided in paragraph (7) under Income Exclusions.

### **Income Exclusions**

**The following shall be excluded as income:**

- (1) Income from employment of children (including foster children) under the age of 18 years;
- (2) Payments received for the care of foster children or foster adults (usually persons with disabilities unrelated to the tenant family, who are unable to live alone);
- (3) Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains, and settlement for personal or property losses, except as provided in paragraph (5) under Income Inclusions;
- (4) Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member;
- (5) Income of a live-in aide, as defined in 24 CFR 5.403;
- (6) The full amount of student financial assistance paid directly to the student or to the educational institution
- (7) The special pay to a family member serving in the Armed Forces who is exposed to hostile fire (e.g., in the past, special pay included Operation Desert Storm);

- (8)
- (a) Amounts received under training programs funded by HUD (e.g., training received under Section 3);
  - (b) Amounts received by a person with a disability that are disregarded for a limited time for purposes of supplemental security income eligibility and benefits because they are set-aside for use under a Plan to Attain Self-Sufficiency (PASS);
  - (c) Amounts received by a participant in other publicly assisted programs that are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, childcare, etc.) and which are made solely to allow participation in a specific program;
  - (d) Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the owner, on a part-time basis, that enhances the quality of life in the project. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, and resident initiative coordination. No resident may receive more than one such stipend during the same period of time; or
  - (e) Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training programs not affiliated with a local government) and training of a family member as a resident management staff person. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives and are excluded only for the period during which the family member participates in the employment training program.
- (9) Temporary, nonrecurring, or sporadic income (including gifts);
- (10) Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era;
- (11) Earnings in excess of \$480 for each full-time student 18 years or older (excluding the head of household and spouse);
- (12) Adoption assistance payments in excess of \$480 per adopted child;
- (13) Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump-sum amount or in prospective monthly amounts;
- (14) Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit;
- (15) Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home; or

(16) Amounts specifically excluded by any other federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the Federal Register and distributed to housing owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary.

Determinations of what are included and excluded forms of income are detailed above and in the Code of Federal Regulation: 24 CFR Part 5. In general, income from all household members is considered regardless of:

- The type of income received.
- Length of time income has been received.
- Whether the household member will take title to the property or be part of the mortgage transaction.
- Whether or not the household member actively contributes to household expenses.

### **Income Verification**

Third-party verifications of income, less than 120-days old, are required. This requirement is often referred to as the “120-day clock” policy since it refers to the period of time during which third-party income and asset verification forms are considered to be up-to-date and valid. The clock starts when the applicant’s first verification form is received. If more than 120 days lapses prior to assistance being provided, new and updated verification forms must be obtained. If using HOME funds, two months source documentation is required.

One way to “stop” the 120-day clock prior to assistance being provided is to execute an Income Certification form.

### ***Third Party Verifications***

Obtain third-party verifications by faxing, emailing, or mailing the request to the income source. The form should provide the reason for the request and the signed Authorization to Release statement from the applicant.

If the employer or other third-party income source does not return the written verification form, two additional attempts to obtain the verification must be made by re-sending the form. If all three attempts fail, document the effort. If these attempts fail, source documentation is used to verify income (tax returns, pay stubs and bank statements). If information from a third party is not received within two weeks of the initial request, source documentation will be used to verify income.

Date stamp each verification upon receipt and compare information on the verification form with information provided on the application and make any necessary notations to enable accurate determination of income eligibility.

### ***Verification of Self-Employment***

If an applicant is self-employed, anticipated net income is considered annual income and first-hand documentation is necessary (Source: HUD 24 CFR Section 5.609 Part 5 (b)(2), additional information provided in HUD Handbook 4350.3 Exhibit 15, Section 15-C (H)). This is the only instance when net income may be considered instead of gross income for determining eligibility. The applicant's net income is calculated by subtracting expenses from gross income in the same manner permitted by Schedules C, E, or F of the IRS Tax Return Form 1040. For rental property, copies of recent rent checks, lease and receipts for expenses, or IRS Schedule E will be required.

The applicant must provide two years of the most recent tax returns, year-to-date profit and loss statements, or a quarterly audited statement from an accountant for the previous three months, at minimum, and a borrower signed, notarized statement of expected net earnings over the next 12 months. Use the amount of net income from this report to anticipate the amount of income for the business over the next 12 months.

### ***Verification of Child Support***

The entire amount of court ordered child support must be included as part of the household income, regardless of whether or not it is regularly received. A divorce decree is a legal document that is sufficient for documenting mandated child support. A household that is not receiving court ordered child support has legal recourse to force payment of the support. Child support can only be omitted as an income source when it has been documented that a household has exhausted all legal attempts to obtain the support.

If non-court ordered child support is being received, it is considered a contribution and is a source of income to be included as household income.

### ***Anticipated Income from Assets***

Assets are items of value, other than necessary personal items, and must be considered with the verified income in order to determine the eligibility of a household. All asset income is considered, including asset income of minors. The income that could potentially be earned, or is actually earned, from assets is annualized based on what is anticipated to be received during the 12 months following eligibility determination.

Households with assets greater than \$50,000, do not qualify. All deposits that are not wage/benefit (i.e., Social Security, Pension) income will need to be explained.

Assets include the following accounts:

- Checking / Savings / CD
- Retirement / Pension / Annuity
- Stocks / Bonds
- IRA / 401k

- Mutual Funds/ Money Market
- Real Estate Owned, collections, investments, lump sums, etc.
- Whole Life Insurance cash value
- Personal property held as investment

### ***Determining Income from Assets***

HUD Handbook has established the following policy:

- If the asset value is \$5,000 or less, total the amount of actual asset income and include this with the total verified anticipated annual income for the household.
- When assets exceed \$5,000, add the greater of 1) the actual income to be derived from these assets, or 2) the total cash value of the assets multiplied by the imputed amount (currently .06%). At no time may the liquid Assets exceed the \$50,000 limit. All non-retirements accounts will be considered.

### ***Calculating Cash Value of Assets***

- For Checking Accounts use the average 6-month balance.
- For Savings Accounts use the most current months end balance.
- For Real Estate Owned use the current market value of the property less the current mortgage balance and sales costs (if property was to be sold).
- For all other accounts use current market value of the account less reasonable costs (i.e., early withdrawal penalty, broker or legal fees assessed to sell or convert the asset to cash) incurred to covert the asset to cash.

### ***Certification of Household Income***

A signed certification form must be obtained from the applicant in order for the eligibility process to be complete. Staff must not calculate and certify income until all verifications are received. The certification form must indicate the annual household income, family size, and a statement regarding the completeness and accuracy of the information. The income certification form must be prepared by

staff and properly executed by the applicant and the housing administrator or local government representative.

## **DEBT GUIDELINES**

### **Debt-to-Income Ratio**

A ratio is the percentage comparing a household's total monthly cost to buy a home to monthly income before deductions (mortgage principal and interest, real estate taxes, mortgage insurance and homeowners association dues (HOA)). As part of the underwriting process, the applicant file will include the lending product and the maximum ratios for that product. Debt-to-Income Ratio is considered. Principal, interest, taxes, insurance, and association fees (PITIA) ratio

must not be lower than 20% and total debt-to-income ratio must not exceed 50%.

### **Calculation of Housing Ratio (Front-End Ratio)**

Monthly housing expense is calculated using:

- Monthly principal and interest.
- One-Twelfth (1/12) of annual hazard, flood, and mortgage insurance premiums.
- One -Twelfth (1/12) of annual real estate taxes.
- Monthly homeowner association dues, condominium maintenance fees, or other associated fees.

### **Monthly Debt-to-Income (Back-End)**

Total monthly debt includes regular monthly charges paid by the applicant and is calculated using:

- Monthly housing expense (as calculated above).
- Payments on all revolving/installment debts regardless of balances, unless account is shown as closed on the credit report. Examples of revolving debt include credit cards and personal lines of credit. Examples of installment debt include auto loans, student loans, and personal loans. Installment debt with less than 10 months remaining will not be calculated in the overall debt-to-income ratio.
- Alimony or child support will also be included in overall debt.

To determine the debt-to income ratio, divide the total monthly debt by the household's gross monthly income. Households with debt-to income ratios that exceed 50% do not qualify.

### **Credit History**

Pinellas County does not require a minimum credit score. A credit report will be required for each applicant and must be dated within than 60 days old of the credit application. The credit report must be provided by an independent agency and should detail an applicant's credit worthiness. The report should include the account types, the date accounts were opened/closed, credit limits, loan amounts, payment history and account balances.

An applicant who has been credit approved by a First Mortgage Lender will be considered as long as the credit/title search does not uncover any of the following:

- Liens – Applicant may not receive assistance if there are existing mechanic and/or tax liens.
- Foreclosure or Short Sale – Applicant may not have been a defendant in a mortgage foreclosure or short sale proceeding within the past five years, unless the applicant has re-established a positive credit standing. If the foreclosure or short sale resulted in a loss to the Department, applicant is not eligible for assistance for 10 years.
- If the borrower has no traditional credit history, alternate credit methods with a minimum 12-month history may be used. These include, but are not limited to:
  - verification of telephone accounts;

- verification of utility accounts;
- verification of auto insurance accounts; to name a few.

## **LOAN TERMS AND CONDITIONS**

### **Eligible Use of Funds**

Funds can be used for down payment, reasonable closing costs (not to exceed 4% of the loan amount), and prepaids only. The buyer may not receive any portion of these funds as cash back (including money paid toward earnest money deposit, application fee, appraisal, etc.)

**\*Lender fees are limited to 4% of the mortgage amount. Fees include loan application fees, origination fees, document preparation fees, broker fees, points (excluding points charged for interest rate buydowns), underwriting/processing fees and other similar fees. It also includes yield spreads.**

### **Loan Amount**

The maximum loan amount is up to \$75,000.00 based on income eligibility (cost associated with program requirements will be included in this amount to include but not limit to recording fees, title policy fees, doc stamps, Pinellas County HQS inspection cost.).

### ***Borrower Minimum Investment***

The household must contribute a minimum of \$1,000 of their own funds to the transaction. The borrower's minimum contribution can include the following: earnest money deposit, appraisal fees, home inspection fees, and homeowner's insurance. Each item must be documented on the final Closing Disclosure as paid outside closing (POC).

The payoff of existing debt or collections **may not** be considered as part of the \$1,000 contribution.

### ***Minimum Cash Reserves***

There are no minimum cash reserves required.

### ***HOME Subsidy Calculation (HOME FUNDS ONLY-THIS METHOD DOES NOT PERTAIN TO SHIP FUNDS)***

HOME assistance will be provided after all other forms of down payment and closing costs assistance have been provided. This includes programs such as the Florida Bond/Florida Assist Programs. The shortfall between the lenders' required minimum down payment amount and these funds, will be the eligible HOME assistance amount.

The following example illustrates the cost breakdown:

\$160,000.00	Purchase Price
<u>- 152,000.00</u>	Lending institution first mortgage loan amount (Max loan applicant qualifies for)
8,000.00	Down Payment Required
<u>+ 6,080.00</u>	Estimated reasonable closing costs*
\$14,080.00	Total first mortgage estimated down/payment and closing costs
<u>- 1,000.00</u>	County's Homebuyer required contribution
\$13,080.00	Initial gap financing needed
<u>\$350.00</u>	<u>HOME Loan Closing Fees</u>
\$13,430.00	Calculated HOME funds needed
\$13,430.00	Total HOME Down payment assistance loan

**Loan Terms**

HOME/SHIP funds will be provided as a zero percent interest loan, with varying terms depending on household income.

***Repayment Terms***

Repayment terms are outlined in the following table. Loan payments are calculated using the total amount of financial assistance provided and applicable loan term.

<b>Income Level (AMI)</b>	<b>Maximum Award Amount</b>	<b>Payment &amp; Terms</b>
Very-Low Income Households (<50% AMI)	\$75,000	Deferred Payment, full forgiveness after 30 years (full repayment required if sold before end of term)
Low-Income Households (51-80% AMI)	\$75,000	Deferred Payment, full forgiveness after 30 years (full repayment required if sold before end of term)
Moderate Income Households (81-120% AMI)	\$50,000	Payment is deferred for 5 years and then repayment in monthly payments over the remaining 25 years of the term (full repayment if sold before end of term)

**Loan Closing Fees**

The following fees are associated with and included in the HOME/SHIP down payment assistance loan:

- Doc Stamps and Intangible taxes, based on final loan amount;
- Recording fees of \$61.00 (5-page mortgage; 2-page Note);
- Title Fees, based on final loan amount and required endorsements.

## **Loan Eligibility Requirements**

### ***Inspection of Properties***

Pinellas County will consult with a third-party contractor to conduct required property inspections. After receipt of application from lender and income eligibility verification and program eligibility has been determined by the Department's loan underwriter, the Department will order an inspection of the property prior to closing to ensure the home meets all program necessary requirements. Pinellas County reserves the right to reject any and all houses that do not meet the necessary program requirements. The cost of the inspection will be included in the loan amount to the borrower.

For newly built properties, a Certificate of Occupancy is acceptable in lieu of the inspection report. The Certificate of Occupancy must be dated within 6 months of closing to be considered.

### **Housing Counseling**

Homebuyers are required to attend an 8-hour HUD-approved Homebuyer Education Workshop. A Certificate of Completion will be required prior to closing. Certificate of Completion is valid for twenty-four (24) months. For a list of HUD-approved pre-purchase workshops, visit [HUD Housing Counseling Services](#). For Down Payment Assistance provided with HOME funds, a one-on-one financial fitness session will be required in addition to the 8-hour workshop.

### **Married Applicants**

Pinellas County requires that in the case of married applicants both parties must execute the Pinellas County mortgage regardless of whether or not the spouse intends to reside in the home, or whether or not the spouse is on the title or the lender's loan application.

## **FIRST MORTGAGE LOANS**

### **Eligible Loan Types**

Fixed rate, first mortgages with an interest rate that is no more than 1.5% above the "average prime offer rate" reported by the Federal Financial Institutions Examinations Council ([www.ffiec.gov](http://www.ffiec.gov)).

### **Hazard/Flood Insurance Requirements**

Insurance escrowed in first mortgage loans must include Pinellas County as a lienholder on the policy and the policy must be sufficient to protect the County's interest in the property. The mortgagee clause is as follows: Pinellas County, ISAOA/ATIMA, 440 Court St, 2<sup>nd</sup> Floor Clearwater, FL 33756.

### **Fair Housing Act**

In accordance with the Federal Fair Housing Act, or Title VIII of the Civil Rights Act of 1968, as amended in 1988. Neither the first mortgage lender, nor County, will discriminate on the basis of race, color,

religion, sex (including gender identity and sexual orientation), disability, familial status, age, or national origin.

### **Loan Application Submittal**

Applications must be submitted by the lender. **THE BORROWER MAY NOT APPLY DIRECTLY FOR THIS PROGRAM.** Applications will be submitted through the Community Development Division [Neighborly Software Application Portal](#).

Applications will be reviewed and processed on a first-come basis. Applications will be approved for funding on a first-qualified basis. If the first mortgage application is cancelled or the applicant no longer requires County assistance, the lender will need to notify the County as soon as possible. If the applicant decides to purchase an alternate home, for whatever reason, the original application must be cancelled and a new one submitted. Lenders may not charge any origination or other fees to the applicant for the application for or use of County down payment assistance.

### **Final Approval**

Upon final approval determination:

- Lender/Borrower(s) receives loan award letter from the County;
- County requests funds for closing (21 days required for processing of the check).
- County submits funding, closing package and disclosures to Title Company.

### **Down Payment Assistance Program Manager**

Lindsey Latorre  
Pinellas County Housing and Community Development Department  
Community Development Division  
310 Court Street  
Clearwater, FL 33756

### **Refinancing and Subordination**

Pinellas County will not subordinate to predatory, excessive, or junk fees. Pinellas County will charge an administrative fee on all subordination requests prior to the document being available. Only requests that meet the following conditions will be considered:

- The refinancing reduces the annual interest rate of a senior mortgage.
- The refinancing results in a lower monthly payment than the current mortgage.
- The new loan does not include debt consolidation or cash-out to the borrower.
- The new loan is not a Reverse Equity or Adjustable-Rate Mortgage.
- The total combined loan to value (all mortgage debt, including the Pinellas County loan balance) must be less than 95% of the property value. Any loan proceeds in excess of \$100 remaining available at loan closing must be applied as a principal-reduction payment to the new loan balance. Lenders may include reasonable and customary closing costs in loan proceeds.

Portfolio management staff will review each subordination or refinancing request to confirm they fall within the terms of the subordination policy. In order to determine eligibility for a loan subordination, the following information will be required for review:

- Borrower signed authorization
- Loan application or 1003
- Copy of Title Commitment
- Payoff letter from existing primary lender
- Good faith estimates or draft HUD1 showing closing costs
- Rate, monthly payment, and term of existing loan and rate, payment, and term of new loan.

**Copy of appraisal (If an appraisal is not available, County staff will review Pinellas County Property Appraiser records to establish value**

### **Default Terms**

Should any of the following occur during the terms of the loan, the remaining balance is due and payable:

- Sale of property.
- Property is no longer homesteaded, as determined by the Property Appraiser.
- Property has been converted into a rental unit.
- Taxes and insurance are not current

### **QUESTIONS?**

Please contact 727-464-8237 to speak to the Down Payment Assistance Program Manager.