



Lackawanna
County
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**Lackawanna County
First Time Homebuyer Assistance Program**

**Operating Procedures and
Program Guidelines**

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Prepared by:

Lackawanna County Department of Economic Development



INTRODUCTION

Thank you for taking interest in Lackawanna County's First Time Homebuyer Assistance Program. On behalf of Lackawanna County, we can assist you in making your dream of becoming a homeowner possible. Not only does our First Time Homebuyer Assistance Program help qualified buyers purchase homes by providing a subsidy toward the down payment (maximum not to exceed \$6,500.00) using federal/state/local funds and all eligible closing costs up to a maximum of \$1,000.00. The federal government and Lackawanna County set certain and/or approve certain requirements for this program. These requirements include maximum purchase prices, income limits, U.S. citizenship, homebuyer requirements and recapture conditions. Program activities are defined as any projects or activities approved by the Lackawanna County Department of Economic Development which increase the availability of quality housing to any Lackawanna County resident or family, whose annual gross household income is less than the prevailing MEDIAN INCOME for Lackawanna County. The following Operating Procedures and Program Guidelines apply specifically to this agency's administration of the First Time Home Buyer Assistance Program.

OBJECTIVES

The primary objective of the Lackawanna County First Time Homebuyers Assistance Program, hereinafter referred to as PROGRAM, is to increase the availability and affordability of quality housing to median and lower income individuals/families across all communities within Lackawanna County by providing down payment subsidies and closing cost subsidies. A secondary objective is to stimulate the economy by creating jobs, thereby contributing to wages and enhancing the local tax bases.

Minimum requirements for participation in the Lackawanna County First Time Homebuyer Assistance Program (FTHB) are:

- ✓ Participants must have verified annual gross household incomes **below median income** currently established for Lackawanna County.
- ✓ The FTHB program will offer down payment and closing cost subsidies. The participant will be required to contribute a percentage of the purchase price from their own resources. These contributions shall not be borrowed or encumbered funds (i.e., funds the program beneficiary must repay to a third party).
- ✓ The County will require that all prospective home buyers attend **housing counseling sessions**, pursue "**pre-approval**" for a mortgage loan, and have their chosen house inspected by a **certified housing inspector**. The buyer is responsible for all fees associated with this inspection.
- ✓ The home purchased by the FTHB program participant must meet prevailing local housing codes. If the house selected is sub-standard, the buyer must secure financing to ensure that **at or immediately following occupancy** (i.e., within sixty (60) days of closing) the deficiencies are remedied.
- ✓ The amount of a FTHB down payment subsidy will be secured by a mortgage lien held by the County against the purchased property (filing fees for this lien are the buyers' responsibility). Any sale or transfer of the property will subject the seller to repayment within the first 5 years from the closing date. The amount to be repaid will decrease each year; for example, if the property is sold in the second year, 3/5 of the remaining loan would be owed upon transfer or sale of the property. After the 5th year, the lien will be satisfied and no repayment is required.
- ✓ The home purchased must be within the County of Lackawanna.
- ✓ Home purchased must be a **first** home for program participants (i.e., buyers must not have owned their own home for at least three years).
- ✓ The home to be purchased **must be a single family structure**. Home to be purchased **cannot** be a mobile home or "trailer."

PROCEDURES

I. Publicity

An important prerequisite to any housing assistance program is publicity. The Lackawanna County Department of Economic Development will ensure that the public is properly informed about our pursuit of public funding and as to the availability of such funds. Public announcements will be made which outline how and where to apply for this funding. Applications are available without regard to Race, National Origin, Religion, Color, Sex, Age, Political Affiliation, Handicap, Ancestry, or Familial Status. The information given to the public will include but is not limited to the programs objectives; when and where pre-applications can be obtained and where they are to be submitted; eligibility requirements; and finally, information as to how the first time home buyer process occurs.

II. Pre-application

To initiate the process of receiving first time home buyer assistance, anyone interested will be required to attend **housing counseling**, such as the classes available at NeighborWorks (1510 N. Main Ave, Scranton, PA 18508 570-558-2490) or United Neighborhood Centers (410 Olive St, Scranton, PA 18509 570-343-8835) and obtain a certification to that effect. They will also be required to obtain, in writing, an **affordability estimate** based on information given within the realm of the housing counseling. Once these two items have been fulfilled the participant will be able to file a pre-application with the Office of Economic Development. These forms are made available to the public at the offices of the Lackawanna County Department of Economic Development and at the County's website – www.lackawannacounty.org. The pre-applications are dated and numbered upon receipt at the Lackawanna County Department of Economic Development office. They are processed on a first come-first served basis. Special consideration may be granted in those circumstances where disabled individuals occupy rental units with architectural barriers. That is, the County may, at its discretion, accord priority and assist persons whose living environments impede comfortable, independent living with the purchase of a home.

III. Financial Eligibility

The Lackawanna County Department of Economic Development will contact applicants by letter to inform them that the Office is prepared to begin processing their pre-application for assistance. Accompanying this initial letter will be a list of the minimum requirements and guidelines which govern eligibility for assistance in the program. Applicants will be asked to call the Lackawanna County Department of Economic Development to arrange for a financial interview. To the extent possible, an initial financial review will be made over the phone to ensure that the applicant can identify the various sources of income and the types of verification that may be required to document eligibility. Once this initial review is completed and relevant information clarified, a financial interview will be scheduled.

Financial interviews are held at the offices of the Lackawanna County Department of Economic Development. The applicants are informed of their right to financial privacy as called for by the Right to Financial Privacy Act of 1978. Also, they are informed that all

information given in support of their application for assistance is held in the strictest confidence. The **only** persons with access to the financial records obtained by this Office to verify an applicant's eligibility are representatives from the respective funding source and Certified Public Accountants who audit Lackawanna County Department of Economic Development records. Such records are of course available to Office staff for internal control purposes and to ensure that a proper course of conduct has occurred in the awarding of FTHB assistance grants. Within these strict parameters all information is confidential and is not released to municipal officials, or other government agencies or departments without the consent of the applicant except as required or permitted by law.

Financial eligibility for all applicants will be based upon **gross household income projecting forward twelve months following the date of the application intake**. A reasonable projection of household income over the following twelve month period will also apply when a significant change in household earnings **is anticipated** (e.g. a scheduled wage increase, the commencement of Social Security Benefits, or the loss of income with the discontinuance of an Unemployment Compensation claim).

The following are **INCLUDED** in the calculation of annual gross household income to determine the eligibility of an applicant:

1. a) The **gross** amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips, and bonuses of **all** adult members of the household. (age 18 and older)
- b) The **net** income from the operation of a business or profession or from rental of real or personal property. Expenditures for business expansion or amortization of indebtedness are not considered in the computation of net income.
- c) Interest, dividends, and other income from net family assets. Only the interest portion of the monthly payments received by the applicant is included as income.
2. a) The actual amount of periodic payments received from Social Security - including Social Security received by adults on behalf of minors or by minors intended for their own support. The full amount of annuities, insurance policies, retirement funds, pensions, disability or death benefits, Black Lung benefits, and other similar types of periodic receipts. Including any payments that will begin during the next twelve months. Social Security benefits shall be assessed at the net amount of the benefit award, after deductions for Medicare.
- b) The full amount of payments received by the applicant in lieu of earnings, such as, unemployment compensation, disability compensation, worker's compensation and /or severance pay.
- c) Public assistance -- If the Public Assistance payment includes an amount specifically designated for shelter and utilities and that amount is subject to adjustment by the Public Assistance Agency in accordance with the actual cost of shelter and utilities, the amount of Public Assistance income to be included as income shall consist of:
 - ✓ the total amount of public assistance minus the amount specifically designated for shelter and utilities; plus,
 - ✓ the maximum amount which the Public Assistance Agency could in fact allow the family for shelter and utilities.

- d) Periodic and determinable allowances, such as, alimony and child support payments, and regularly recurring contributions or gifts received from persons not residing in the household.
- 3. Any amount of educational grants or scholarships or Veteran's Administration benefits available for subsistence after educating expenses, fees and books.
- 4. All regular pay, special pay (except for persons exposed to hostile fire) and allowances of a member of the armed forces who is head of the household or spouse.

The following are **NOT INCLUDED** in the calculation of annual gross household income to determine the eligibility of an applicant:

- 1. a) Income from dependent minors under the age of 18. Heads of households and spouses may never be considered minors.
- b) Income of full time students, 18 years of age or older, who are not heads of households or spouses.
- 2. a) The value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1964, as amended, which is in excess of the amount actually charged the eligible household.
- b) Foster child care payments.
- c) Casual, sporadic or irregular gifts.
- d) Lump sum additions to family assets such as inheritances, capital gains, insurance payments included under health, accident, hazard or worker's compensation policies, and settlements for personal or property losses.
- e) Amounts which are granted specifically for, or in reimbursement of, the costs of medical expenses. Medical expenses may include those expenses incurred by handicapped residents so that they may live independently (e.g. attendant care).
- 3. Amounts of education scholarships paid directly to the student or to the educational institution, and amounts paid by the Government to a veteran for use in meeting the costs of tuition, fees, books and equipment. Any amounts of such scholarships or veteran's payments, which are not used for above purposes and are available for subsistence, are considered to be income. Student loans are not considered income.
- 4. The special military pay to a service person head of a household or spouse away from home and exposed to hostile fire.
- 5. a) Payments received pursuant to participation in the following volunteer programs under the ACTION Agency:
 - ✓ National Volunteer Antipoverty Programs which include VISTA, Service Learning Program and Special Volunteer Programs.

- ✓ National Older American Volunteer Program for persons age 60 and over which include Retired Senior Volunteer Programs, Foster Grandparent Program, Older American Community Services Program, and National Volunteer program to Assist Small Business Experience, Service Corps of Retired Executives (SCORES) and Active Corps of Executives (ACE).
6. Relocation payments made pursuant to Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970.

IV. First Time Homebuyer Assistance Program Process

- 1. Housing Counseling and Affordability Determination**
- 2. Financial Eligibility Determination**
- 3. 'Pre-qualification' from financial institution**
- 4. Shop for a house:** House to be purchased is within affordability range of the prospective buyers and buyers are instructed to make an offer. At the same time mortgage application is made at the lending institution, the amount of additional funds necessary to make repairs to bring house up to minimum code standard are to be included in the 1st mortgage application.
- 5. Enter into an Agreement of Sale:** Contingent upon results of Certified House Inspection.
- 6. Certified House Inspection** This inspection is conducted by a certified housing inspector. This service is procured by the applicant. Upon completion of inspection, review of the Certified Housing Inspection by the Lackawanna County Department of Economic Development Rehabilitation Specialist will identify "code" deficiencies. A deficiency notice will be prepared which will identify those components of the home that will be required to be brought up to code standard. At this point in the process, any code deficiencies will be addressed either by negotiations with the seller, or, if necessary, additional borrowing will be considered in conjunction with the first mortgage.
- 7. Obtain Financing:** Applicants will choose the lender and product they prefer based on their individual circumstance. At the same time mortgage application is made at the lending institution, the amount of additional funds necessary to make repairs to bring house up to minimum code standard are to be included in the 1st mortgage application. Lackawanna County must be placed in the 2nd position on the future homeowner's insurance paperwork. Copies of all signed documents must be received at closing. If this is not possible, all signed documents must be received by the next business day.

If a home is within a certified applicant's affordability range and it is determined by the Lackawanna County Department of Economic Development that the purchase is economically feasible based upon purchase price, rehabilitation needs, mortgage conditions and the available FTHB subsidy, the purchase will be coordinated and effected. All purchases will, of course, require the cooperation of all parties. The staff will have the prime responsibility for coordination until closing.