

Florida Housing Bond Program 101

What is a bond program?

The U.S. Congress created tax-exempt bond programs for housing referred to as Mortgage Revenue Bonds (MRB's). Congress created MRB's but bond programs are created by state, regional, county or city government agencies that are governed by volunteer boards.

Where do the rules in the program come from?

Congress authorized the program and because the bonds are tax-exempt the majority of the program rules are tied to the IRS and cannot be changed. Florida Housing Finance Corporation issues the bonds to create the pool of funds to buy the mortgages originated by local lenders.

The Basics

- This is a first mortgage program that also provides assistance options with the first. Do not use your company's rate sheet.
- Term, Rate, Assistance, Points are all determined by Florida Housing.
- Homebuyer education required (minimum 8 hours face-to-face)
- Buyers must be first-time buyers (with a few exceptions).
- There are income limits in the program.
- The program will need the past 3 years tax returns for all borrowers and spouses.
- Property must qualify. There are sales price limits and eligible property types.
- Buyer must occupy the property within 60 days of closing.

What are the MYTHS with a bond program?

Bond program is a down payment assistance program – MYTH

Bond program is for buyers with poor credit – MYTH

Bond program provides a sub prime product, B & C paper – MYTH

Bond program is for low-income buyers only – MYTH

Bond program slows the closing process – MYTH

Bond program forces buyers to live in a home for 9 years – MYTH

Is this the same as the SHIP or HOME programs?

NO. The bond program is a first mortgage program that sometimes also provides down payment and closing cost assistance.

You'll be looking at borrower with 2 steps of qualifying criteria – 1) Bond program rules 2) Credit underwriting

Bonus for the Buyers using a bond program:

Buyers do not pay doc stamp or intangible tax on the mortgages and notes.

Co-signers are allowable in FHA transaction.

Buyers not required to use all available assets.

A qualified buyer may assume first mortgages.

Allowable loan products

Loans must be eligible for sale to Ginnie Mae, Fannie Mae and Freddie Mac.

Loans products allowable in the program may be found in the US Bank Underwriting presentation.

Timing is Everything

Loan Processing, Delivery and Purchase Timetable

Reservation to Underwriter Certification = 45 days

Reservation to Closed & Delivered to Servicer = 80 days

Reservation to Exceptions Cleared, Loans Purchased = 115 days

New construction must be reserved on Wait List until 45 days before closing. At that time, the loan will move to the first/second mortgage allocation.

The Bond Program Process

1. Lender qualifies buyer for program and takes regular loan application and receives 3-years federal income tax returns.
2. Buyer signs Notices to Buyers (2 pieces of paper). Get the borrower signed up for homebuyer education.
3. Borrower finds a property and has a signed real estate contract.
4. Upon receipt of fully executed contract lender reserves funds in the program's system in the buyer's name.
5. Lender processes the loan normally.
6. After underwriting approval, underwriter completes Underwriter Certification in Program System online. Underwriter has 45 days to complete the certification or the loan cancels automatically.
7. Underwriter Certification extends rate lock.
8. Loan may close.
9. At closing buyers sign: Affidavit/Certification (3 pieces of paper), Buyer, Seller, Lender sign - - Tax Exempt Rider (1 piece of paper)
10. Lender funds first mortgage and any second mortgage or program assistance.
11. Lender ships loan to US Bank (mortgage and compliance files), clears any exceptions timely.
12. US Bank funds first mortgage and assistance.

FAQ

Who can be on the Title, Mortgage, and Deed?

Only first-time buyers may have an ownership interest (be on the Deed, title, mortgage). No third parties may have an interest.

What are Non-Targeted Areas and Targeted Areas?

Targeted Areas are areas that have experienced very low loan originations. Sometimes they are economically distressed. They are deemed Targeted Areas by HUD specifically for this program and are identified by census tract number. They are very limited. They may not be the same as other Targeted Areas for other programs. The Non-Targeted Areas are all other areas.

Are there benefits to buying in a Targeted Area?

Yes, to increase loan origination in targeted areas, HUD allows for higher income limits and sales price limits and buyers do not need to be first-time buyers.

Are cosigners allowed?

Cosigners are allowable in an FHA transaction that meets the following conditions: (1) a cosigner cannot have any ownership interest in the property (they cannot be on the Deed) and (2) the cosigner cannot reside in the property being purchased. A cosigner's income is not considered for bond program purposes, tax returns are not required and cosigners do not sign any bond documents.

How long does a bond loan take to close?

This program does not take any longer than an average loan to close.

Can my borrower receive the tax credit in the recently passed housing bill with the bond program?

No, the residence is financed by the proceeds of a tax-exempt MRB.

Federal Requirement on First Mortgage only - - Recapture Tax

Under certain conditions, buyers may have to repay some of the federal subsidy they received in the form of a federal Recapture Tax. To pay, buyers must meet all three conditions --

1. Sell or dispose of property in first, full nine years AND
2. Make a net profit AND
3. Have income that exceeds Recapture income limit in the year they sell their home.

What saves a majority of people from paying recapture tax?

Having income that exceeds the Recapture income limit in the year they sell their home.

IRS increases the allowable income limits in the program by 5% each year to keep up with cost of living increases. Florida Housing Finance Corporation will reimburse any borrower who pays recapture tax. Therefore, making recapture tax a non-issue.