



City of Arlington
Neighborhood Stabilization Program

Participating Lender Guidelines

The Neighborhood Stabilization Program was established by the Housing and Economic Recovery Act of 2008 on July 30, 2008. Congress appropriated \$3.9 billion in federal funding to help states and local governments to stabilize neighborhoods most affected by home foreclosures. The US Department of Housing and Urban Development (HUD) allocated \$2,044,054 to be made available to the City of Arlington. The City of Arlington invites local lenders to provide mortgage assistance to homebuyers participating in NSP funded activities. There are no commitment or participation fees for lenders; however, lenders participating with transactions involving down payment assistance provided through NSP are required to attend a lender orientation provided by the Program Administrator, Tarrant County Housing Partnership, Inc. Lenders are also required to comply with the bank regulators' guide for non-traditional mortgages (See statement on Subprime Mortgage Lending issued by the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporations, Department of the Treasury, and the National Credit Union Administration, available at <http://www.fdic.gov/regulations/laws/rules/5000-5160.html>). Loans made by participating lenders are made within lender's underwriting standards, as applicable, subject to the terms described herein. Sub prime loans are not permitted. The City and its contractors and program partners are committed to affirmatively furthering fair housing for all persons. Assistance is provided to eligible households regardless of race, color, religion, sex, handicap, familial status, or national origin.

Available Funding	Initially, \$2,044,054 is available for approved activities including down payment assistance, housing rehabilitation, demolition, and redevelopment. Additional funding may become available.
Timeline	An application for funding was submitted to the US Department of Housing and Urban Development on November 26, 2008. HUD approved the City of Arlington's application and entered into a grant agreement March 3, 2009. This date triggers the requirement to commit funds for approved activities (under contract) within 18-months. An amount equal to the initial allocation is required to be expended within four years. Eligible activities are anticipated to begin June 1, 2009.
Program Area	Program proceeds must be used within the City of Arlington in areas of greatest need as identified in the two target area maps (located on the NSP website: http://www.arlingtontx.gov/housing/neighborhoodstabilization.html). Areas of greatest need were identified as those areas with the highest percentage of home foreclosures, the highest percentage of homes financed by a sub prime mortgage loan, and areas likely to face an increase in home foreclosures. All funded activities will be focused in the target areas.
Program Beneficiaries	All NSP funding must benefit households at or below 120% of area median income (2009 income limits are posted on the NSP website: http://www.arlingtontx.gov/housing/neighborhoodstabilization.html). In addition, 25% of all NSP funding must benefit households at or below 50% of area median income. Income eligibility is determined by Program Administrator, using the Part 5 income definition identified in 24 CFR Part 5. Buyer income must be re-verified after six months.



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Approved Activities	<ul style="list-style-type: none">• Homebuyer Assistance - \$838,145<ul style="list-style-type: none">○ \$20,000 per household with income \leq50% AMI○ \$10,000 per households with income \leq120% AMI• Acquisition Rehabilitation - \$735,932 Grant funds, \$1,251,000 Program Income• Acquisition/Demolition/Redevelopment-\$265,753 Grant funds
Second Mortgage Loan	Assistance for down payment, closing costs, principal buy down, and rehabilitation will be provided in the form of a deferred second lien loan. Loans will be made at 0% interest with no monthly payments, and are forgivable over the applicable affordability period. The City of Arlington will fund the second-lien mortgage loan at the close of escrow for the benefit of the Mortgagor. Funds for rehabilitation will be escrowed for approved rehabilitation activities. Second lien mortgage loan funds may not be used to provide cash to the Mortgagor at loan closing.
Second Mortgage Loan Documentation	The City of Arlington, or its contractor, will prepare the second lien note, the second lien mortgage. The program lender will provide the second lien Truth-in-Lending Statement and record the second lien.
Other Subordinate Financing	The City of Arlington will accept not less than a second lien position. Other subordinate financing is permitted only when subordinated to the City of Arlington as permitted in accordance with FHA and VA guidelines, subject to Combined Loan-to-Value limits.
Fees	<ul style="list-style-type: none">• No discount points will be charged to the Mortgagor or the Seller.• The lender may charge an origination fee of 1%.• Program administrator and inspection fees will be paid at closing by the City of Arlington with NSP funds. This is in addition to the down payment and closing costs assistance offered as a direct benefit to the homebuyer.• Fees will be reflected on the HUD-1 and good faith estimate.
Eligible Properties	Properties purchased through NSP must be foreclosed properties, that are vacant or are rented by the homebuyer at time of purchase. Properties must be located within a City of Arlington designated target area and pass a property inspection performed by the City of Arlington or its authorized agent. Properties must comply with applicable environmental standards. Any variances from approved property standards identified in the inspection must be included for repair by the rehabilitation loan, a seller provided rehab escrow, or the homebuyer's 203K or equivalent loan product. Properties located in a 100 year flood plain will require flood insurance and a Flood certification. HUD foreclosed properties must be FHA insurable. The purchase price of all homes must be a maximum of 85% the appraised value on a per unit basis. A feasibility test will be performed to determine if required rehabilitation can be completed with available funds. Properties must be used as the homebuyer's primary residence.
Homebuyer Eligibility	Homebuyers are required to successfully complete a HUD-approved Homebuyer Education Course prior to purchase. Homebuyers are also required to participate in Post-Purchase Counseling. Borrowers must be credit approved by a participating mortgage lender and may not exceed a home mortgage (front end) debt service ratio of 33% with no limitation on the back end ratio or not exceed 35% front end ratio and back end ratio of not more than 42%.
First Mortgage Loan	Mortgage Loans may be conventional, FHA or VA. First Mortgage Loan interest rates may not exceed 2% above current Fannie Mae Market rate. No adjustable rate



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mortgages, 2-1 Buy Downs, seller financed transactions or balloon mortgages are not eligible. No sub-prime lending is permitted. First lien documents must include default notice requirements, ensuring the second lien note holder is notified in the event of default on the first lien note.

Minimum Borrower
Contribution

The homebuyer is required to contribute a minimum of \$1,000 towards the investment, and half of the lender required down payment.. Gifts of cash may not exceed more than 50% of this investment requirement.