



NSP2 Buyers Guide

Guidelines For All Participants in NSP2 Funded Projects A Summary for Prospective Borrowers, Realtors, Lenders and Others Restrictive Covenants Apply

NeighborWorks Orange County (“**NWOC**” or “Seller”) administers a program, known as the Neighborhood Stabilization Program 2 (“NSP2”) that helps low- moderate- and middle income households purchase homes assisted with NSP2 funds at an affordable price. As part of NSP2, **NWOC** was provided NSP2 funds by the US Department of Housing and Urban Development to acquire abandoned or foreclosed homes in the County of Orange, to provide homebuyer assistance to eligible borrowers/purchasers of the NSP2-assisted homes, and to sell the NSP2-assisted homes to such eligible borrowers/purchasers.

NWOC will provide homebuyer assistance consisting of NSP2 funds to eligible low- moderate- and middle income borrower/purchasers so that they can afford to purchase a NSP2-assisted home. As a condition of receiving a NSP2 loan, borrowers are required to sign a promissory note and deed of trust (together, the “NSP2 Documents”). In addition, purchasers of NSP2-assisted properties are required to sign this document acknowledging that they have read the following guidelines. This notice is provided for informational purposes only and is not intended to be interpreted as a loan application.

The use of NSP2 funds must comply with federal laws, regulations and guidelines governing the administration of the NSP2, as published by the Department of Housing and Urban Development (the “Federal Requirement”). For specific Federal Requirements under the NSP2 program, please go to www.hud.gov/nsp and search Neighborhood Stabilization Program 2 Grants.

General terms of a NSP2 Loan are described below:

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| Loan Amount: | The maximum loan is \$80,000. Amount to be determined “as needed.” The minimum loan amount is \$3,000 or the actual amount of the non-recurring closing costs based on need in accordance with NWOC ’s underwriting guidelines. |
| Down Payment: | NWOC requires a minimum investment of 3% of the sales price from the borrower’s own funds. The first mortgage lender will establish their minimum down payment which may be different and the strictest rule shall apply. |
| Impounds: | Impounds for payment of taxes and insurance will be required (collected by 1 st mortgage lender); however, insurance payments may be included with payment of Homeowner Association Dues (“HOA”) dues if purchasing a condominium or PUD. |

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| Income Limitations: | Household income is limited to at or below 120% of County Median Income (“AMI”) by household size. Certain designated homes are limited to at or below 50% of AMI by household size (See schedule on page 3). <i>Income limitations are subject to change annually by HUD & the County without notice</i> |
| Interest Rate: | A NSP2 Loan bears zero percent (0%) interest, i.e. the Annual Percentage Rate (“APR”) is 0%, unless a borrower violates any of the provisions of the NSP2 Document and is considered in default under the NSP2 Documents. See Default below. |
| Loan Fees & Charges: | A processing fee of \$350 and document fee of \$175 will be included with other third party fees. An estimate of the fees will be disclosed after a potential borrower’s application is submitted. |
| Term and Repayment: | A NSP2 loan has a 30 year and 30 day term (“Term”). |
| Occupancy: | The NSP2-assisted home must be owner-occupied (i.e. the borrower must live in the home as the borrower’s principal place of residence within 60 days of purchase and for at least 10 months out of each year) and remain owner-occupied during the Term. |
| Default: | As further defined in the promissory note and deed of trust, a borrower will be in default under the NSP2 Documents for, including, but not limited to the following: misrepresentation, failure to occupy the NSP2-assisted home as a principal place of residence, renting or leasing the home, failure to provide requested lender information, foreclosure proceedings, deed in lieu of foreclosure, and/or other violations of the NSP2 Documents. If a borrower does not correct the violation, NWOC could require the borrower to repay the NSP2 loan. NWOC could also go to court and get a court order to enforce the provisions of the NSP2 Documents. In addition, if a borrower fails to meet the requirements of the NSP2 Documents, NWOC has the right to foreclose and take the NSP2-assisted home. |
| Non-Discrimination: | It is the policy of NWOC to provide services without regard to race, color, religion, national origin, ancestry, age, sex, familial status, physical handicap or disability. Borrower covenants for themselves and assigns that there shall be no discrimination or segregation of a person or group of persons as further defined in the promissory note and deed of trust. |
| Monitoring and Inspections: | NWOC (or its designee) will monitor the NSP2-assisted home at least annually and may enter the home for inspection following two (2) business days advance notice. This requirement for access will be included within the borrower’s promissory note and deed of trust. |

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| Transfer: | Any future transfer of the property as defined in the promissory note without full repayment constitutes an event of default. See Default above. |
| Assumptions: | The borrower may not assign the NSP2 loan or NSP2 Documents to a new owner or any person. Upon receiving prior written approval from NWOC , exceptions may be accommodated in the event of marriage, adding a domestic partner, or death of borrower(s). |
| Refinancing: | Under certain conditions and with NWOC's prior written approval, refinancing may be allowed in accordance with the terms of the deed of trust and NWOC's loan servicing requirements; however, cash out will not be allowed. |
| Loan Servicing: | NWOC will retain the right to servicing of the NSP2 loans but reserves the right to transfer servicing to a qualified third party. |

Qualifying for an NSP2 Loan

To qualify as an eligible buyer, households must meet the following criteria:

1. To be eligible to purchase a NSP2-assisted home offered by NHS OC, the total gross annual income (i.e. gross = before taxes) for all household members who are 15 years old or older, must fall within the following limits, adjusted by household size, and in accordance with the property income restrictions mentioned above. The below income limits are based on FY 2014 guidelines for Orange County, California.
2. **If an applicant's household income exceeds the allowable limit for the selected home, the applicant will not be eligible to participate in the program and his or her application or offer to purchase will be denied.**
3. **Borrowers must complete an 8 hour community homebuyer training class from a HUD approved entity of their choosing. NHS OC offers such training.**
4. Borrowers must demonstrate the ability to qualify for a mortgage, i.e., good credit, stable employment, and manageable debt.
5. NSP2 loans do not require first time homebuyer status (i.e. the applicant has not owned a home in the past 3 years), but other homebuyer assistance that may be used with the NSP2 loan may require that the borrower be a first time homebuyer or require that the borrower's income level to be 80% or less than AMI.

2014 Income Limits-Orange County, CA HUD Metro FMR Area
Percent of Area Median Income (AMI) by Household Size

| MAX AMI | 1 PERSON | 2 PERSONS | 3 PERSONS | 4 PERSONS | 5 PERSONS | 6 PERSONS | 7 PERSONS |
|---------|-----------------|-----------------|-----------------|------------------|------------------|------------------|------------------|
| 50%(^) | \$31,160 | \$36,150 | \$40,650 | \$45,150 | \$48,800 | \$52,400 | \$56,000 |
| 80%(*) | \$50,600 | \$57,800 | \$65,050 | 72,250 | \$78,050 | \$83,850 | \$89,600 |
| 120% | \$76,000 | \$86,800 | \$97,600 | \$108,400 | \$117,200 | \$125,800 | \$134,600 |

In the event of a conflict between this preliminary notice, the promissory note, deed of trust, or other lending guidelines, the terms of the executed promissory note and deed of trust and addendums thereto shall apply. In addition, borrower agrees to comply with all applicable laws and regulations governing the use of NSP2 funds, as set forth in Title III, Division B of the Housing and Economic Recovery Act of 2008 and implementing regulations, including but not limited to 24 CFR570 et seq., and all applicable guidance, referred to above as the Federal Requirements. Program guidelines and the availability of funds are subject to change without notice.

I have read and understand the above NSP2 Buyer's Guide

By: _____ Date: _____

Printed Name

By: _____ Date: _____

Printed Name

NeighborWorks Orange County (**NWOC**) is a licensed real estate lending organization, California DRE # 01304167 with an NMLS license endorsement #318036. Should you have any questions about lending guidelines, please contact Letty Plascencia, Lending Manager, licensed sales person, DRE, License ID # 01504609 and NMLS # 309296, at (714) 490-1250 ext. 113 or by email at lettyp@nwoc.org

NWOC is pledged to the letter and spirit of U.S. policy for the achievement of equal housing opportunity throughout the Nation. We encourage and support an affirmative advertising and marketing program in which there are no barriers to obtaining housing because of race, color, religion, sex, handicap, familiar status, or national origin.

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