Sacramento Housing & Redevelopment Agency

NEIGHBORHOOD STABILIZATION PROGRAM
NEIGHBORHODD STABILIZATION PROGRAM3
Vacant Properties Program
FAQs
(Frequently Asked Questions)
Revised 4.18.11 Denoted in red

1. **What are the changes between NSP3 and NSP?**
   a. The program is only in the unincorporated County.
   b. The target areas are smaller.
   c. If requesting a loan to rehabilitate any one property, there is a limit of two (2) properties in the program at any given time.
   d. You are encouraged to read the revised handbook for NSP3 for these changes and several clarifications to the program.

2. **When can a Preferred Builder begin submitting properties to the program?**
   Only properties purchased after June 1, 2011 can be submitted to the program, so after June 1st.

3. **If a Preferred Builder purchases a property with cash can he/she later pull equity out of the property?**
   After closing the purchase escrow, the Preferred Builder may refinance up to 80% of the **purchase price** of the property (this is consistent with the lending model for financing the purchase). The refinancing must occur before SHRA records its loan agreement on the property. No refinancing may occur after SHRA records its agreement.

4. **Once approved as Preferred Builder, who buys the foreclosed properties?**
   The Preferred Builder purchases the properties. Only the Preferred Builder's name, as it appears on the Preferred Builder application and approval letter issued by SHRA, may appear on title.

5. **How will SHRA determine the number of multiple properties a Preferred Builder may have in the VPP program at any time?**
   If the properties are acquired with cash, SHRA has not set a limit. If the acquisition of properties is financed, SHRA will look at the cash assets of the Builder. It will be necessary for the Builder to have a six-month cash reserve for Payment, Interest, Taxes, and Insurance (PITI) for each additional property. This does not apply to the first property. It applies for each additional property and is cumulative.

6. **Are closing costs incurred when the Preferred Builder purchases the property considered acquisition costs?**

Only those customary costs that a buyer would pay when purchasing a home with cash will be considered acquisition costs. Those customary costs include settlement or closing fee (escrow fees), notary fees, recording fees and City/County Transfer Tax.

7. **Will the properties in the target areas be exempt from the FHA requirements of 24 CRF 203.37a (b)(2) commonly known as the 90 Day Flip Rule?**
   SHRA is still communicating with HUD in hopes of having this requirement waived.

8. **Will there be any deed restrictions or regulatory agreements tied to the properties**?
   No.

9. **What if someone wants to apply for the program and has already purchased a foreclosed home?**
   HUD guidance has stated that only homes purchased after approval as a preferred builder may be accepted by the program.

10. **What is the cost involved with the loan (points, fees, interest)?**
    Interest will not be accrued on the rehabilitation loan provided by SHRA as part of the program. The loan will come due and payable at the close of escrow (including any forgiveness) or upon expiration of the loan agreement (2 years).

11. **If you have a work crew and you don't need to hire anyone else, does the Section 3 component require that you hire new people?**
    The Section 3 component requires that you give Section 3 residents and businesses fair and equal access to employment and subcontracting opportunities. If there are no opportunities, then you will need to so document.

12. **Can the home be sold to a buyer whose household income is above 120% of the area median income (AMI)?**
    HUD Guidelines require the home be sold to a buyer whose household income is below 120 % AMI. The income amounts based on household size are available on the SHRA website.

13. **Who pays the seller real estate commission upon sale to an eligible buyer?**
    The program allows up to 6% in commission to be recovered from the sales price by the seller at the close of escrow.

14. **How does the developer get the buyer to come to SHRA if they're working with another broker?**
    The lender will submit the buyer and loan information to SHRA for approval.

15. **Does the team have to be a corporation?**
    No, the team (preferred builder) needs to show the ability and capacity to succeed in the program.

16. **Do all partners have to provide qualifications?**
    The qualifications of the applicant as the preferred builder are required.

17. **If the team is a general contractor and an investor, does the investor need to be the only one to provide the financials?**
    The applicant as the preferred builder must provide the financials. If the applicant is using an investor to finance the acquisition and expenses, then the financials from that entity must also be provided.

18. **If I am a general contractor, can I be on the application as the preferred builder?**
    Yes.

19. **If the preferred builder uses a bank loan to finance the acquisition, will SHRA agree to be subordinate to the first loan?**
    Yes.

20. **Is SHRA considering debt/income ratio or FICO scores in qualifying the homebuyer?**
    The lender will qualify the homebuyer. SHRA will review for eligibility and loan product. SHRA will need to approve both.

21. **How far back can you go for examples of past work?**
    The past two years is recommended because it demonstrates success in the current market.

22. **What about buyer income eligibility?**
    The income levels based on household size are available on the SHRA website. Buyers over the income limits will not be approved by SHRA.

23. **How many appraisals will be required?**
    Two appraisals are required; one at the time of purchase for the program and one prior to putting the home on the market for sale.

24. **Does a home purchased at a Trustees Sale qualify as a foreclosed property?**
    As defined by the program, no.

25. **Is an environmental review required on properties over 50 years of age?**
    Yes. This may delay the approval of the loan until the review is completed.

26. **How will the sales price be established?**
    The sales price will be established by the lesser of 1) appraised value after rehabilitation, or 2) acquisition costs plus rehabilitation costs. HUD guidelines state that a profit may not be made from the sale of the home.

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