

Neighborhood Stabilization Program (NSP) Frequently Asked Questions

Prepared by for use by Carpenter Realtors®

The Neighborhood Stabilization Program (NSP) is a new program introduced in April of 2009 as part of the federal economic stimulus program targeting specific neighborhoods in each Indiana County where there is a high concentration of foreclosed homes. The program is designed to incentivize homebuyers to purchase and occupy foreclosed properties in these neighborhoods. The program is funded with \$33.7 million in federal stimulus monies and reaches into each county in Indiana. The NSP is administered by the Indiana Housing and Community Development Authority (IHCDA). While the IHCDA is not the mortgage company in these transactions, it is the funding source for the NSP buyer assistance monies working in conjunction with the mortgage lender.

The following are Frequently Asked Questions (FAQ's) for the NSP:

1. Who qualifies for the NSP?

Homebuyers (owner occupants only) whose household income does not exceed 120% of the AMI (Area Median Income) for their county. A complete table by county and persons in household with the NSP income limit calculation is available at www.in.gov/ihcda then click on "Homebuyers", click on "Limits and Lenders" select "NSP Stand-Alone Limits".

Remember: The buyer must be an owner-occupant. No investors. No second homes.

2. Is the NSP restricted to first-time homebuyers?

No. You need not be a first-time homebuyer to qualify for NSP funds.

3. What are the restrictions on the property itself?

Yes. These are the restrictions:

(1) The home must be owned by a bank...a lender...as a result of a completed foreclosure. Short-Sale situations do not qualify.

(2) The home must be located within the geographic area ("zone") within the county that has been outlined under the NSP. To find out if a property is inside a "zone", go to:

www.indianahousingnow.org/ProgramGISLookup.html

Plug in the property address and it will tell you whether the property geographically qualifies for the NSP. The information provide through this site is deemed reliable, but is neither complete nor guaranteed.

(3) The property must sell for a minimum of 10% less than the appraised value. It is appropriate to include language such as..." Sales Price not to exceed 90% of the appraised value as determined by the appraiser assigned by the buyer's lender"...in the original Offer to Purchase to protect the buyer.

4. How much money can the homebuyer receive under the NSP?

The homebuyer can receive 20% of the sales price of the home up to a maximum of \$15,000.

5. What can NSP funds be used for?

The NSP funds can be used for down-payment, buyer's closing costs, and/or required repairs. The funds can be used in any combination of these three items.

6. What are "required repairs"?

Under the NSP program, those repairs called for by either the licensed home inspector or the appraiser must be completed and may be paid for using NSP funds. Generally, these repairs are those required to bring the property up to code and/or livability standards. Redecorating and upgrading items do not qualify for NSP funding..

7. Most of the foreclosed properties qualifying for NSP funds are being sold "as is". Why would the buyer elect to have an inspection?

Under the NSP program, the buyer is required to have a "whole house" inspection, including radon and termites, conducted by an IHEDA approved inspector. Go to the "link" below and "click" on IHEDA Approved Inspectors List:

<http://lenderonline.in.gov/index.htm>

8. How are these repairs handled? Paid for?

Because homes qualifying for the NSP funds must be bank-owned, it will be a challenge to have repairs made prior to closing. Most REO lenders will not allow any work to be done on a foreclosed property prior to closing. Therefore, the buyer will have to work with a lender that will allow them to escrow the funds necessary to complete the work after closing. Lenders familiar with the new NSP program will need to be flexible when it comes to allowing repairs to be escrowed because the NSP administrator (IHEDA) will not be flexible.

9. Is "cash-back" to the buyer at closing allowed?

No. Under this program, there is no "cash-back" allowed to the buyer. The buyer cannot leave the closing table with more money than they brought to the table. They can get their earnest money deposit back. They cannot get a property tax proration back in cash.

10. Is there any required homebuyer education or training under the NSP?

Yes. 8 hours of homebuyer training is required. This training can be offered by any HUD approved housing counseling agency. Don't fight it; just do it! Go to the "link" below for a list of HUD approved providers:

[www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm?](http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm)

11. How long should the buyer request in their Purchase Agreement to close on a NSP sale?

IHCDA suggests 60 days.

12. Are there any repayment requirements?

Yes, for the first 10 years. If the homeowner sells their home within the first 5 years, the entire amount provided under the NSP will need to be paid back at or before closing. The amount of payback goes down 20% per year for years 6 through 10. The NSP payment is considered a "lien" against the property until the entire ten years of ownership is complete.

13. What type of mortgage loan can the NSP program be used with?

FHA, VA, Conventional and USDA. Check with your IHCDA approved lender. To locate IHCDA approved lenders go to the "link" below:

http://www.in.gov/ihcda/files/2008_Participating_Lenders.xls

14. Can the NSP funds be used in conjunction with the \$8,000 Federal Tax Credit, the Mortgage Credit Certificate (MCC) or other buyer assistance programs?

Yes. The buyer and the property must qualify for each program used.

15. How long is this money through the NSP program available?

18 months from the beginning of the program (April 9, 2009) or until the funds are exhausted, whichever occurs first. With \$33.7 million in funding, this program can touch a minimum of 22,000 home sales statewide. That's a bunch!

Additional Resource:

- Indiana Housing and Community Development Authority (IHCDA)
Lee McClendon, Assistant Manager www.in.gov/ihcda
Direct (317) 232-2582

Information deemed correct and reliable but not guaranteed.