



# West Virginia Housing Development Fund

## Single Family Mortgage Brochure

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# **Welcome to the West Virginia Housing Development Fund**

The Housing Development Fund is a public body corporate and governmental instrumentality of the State of West Virginia. Among its responsibilities are that of providing long-term mortgage financing for residential housing to be occupied by persons of low and moderate income. One way the Housing Development Fund is meeting the responsibility of providing such financing is through the issuance of tax-exempt Qualified Mortgage Bonds to finance its Single-Family Mortgage Programs (“Programs”).

You have applied for a mortgage loan from the proceeds of these Qualified Mortgage Bonds, and are, therefore, receiving the benefit of a lower interest rate than is customarily charged on other mortgage loans, but you must first meet certain eligibility requirements as required by the Internal Revenue Code (“the Code”). This document was created to explain each of these requirements. Please read each section of this document. If there is any part that you do not understand, contact your lender with your questions.

Within three days after your initial application, you will be required to sign the Application Affidavit located in the back of this document. You should provide the Seller Affidavit, which is also located in the back of this document, to the seller for their signature(s). If your transaction includes real estate agents, ask them to provide the affidavit to the seller and to be sure that it is returned to your mortgage lender before approval of your application.

## **Mortgage Eligibility Requirements**

The basic mortgage eligibility requirements include the income requirement/limit, the purchase price requirement/limit, the first-time homebuyer requirement, the recapture requirement and the residence requirements, each of which are explained on the following pages. All borrowers must take title to the property and all persons who take title must meet these requirements.

You cannot use any part of the loan proceeds to acquire or replace an existing mortgage except for construction period financing or other temporary initial financing for construction. Please review the following explanations of each requirement before you execute the Application Affidavit. Remember, before your loan request can be approved, you must review these guidelines and return the executed Application Affidavit to your lender.

## **Income Limits**

Each West Virginia county has a specified income limit. The Code, the federal regulations and applicable Internal Revenue Service guidance governing the Program income limits require a determination of a borrower’s (or borrowers’) annualized gross income from the date of closing. For purposes of this determination, annualized gross income is gross monthly income multiplied by 12. Income documentation will be required for all borrowers and information with respect to gross monthly income may be obtained from loan documents executed during the four-month period ending on the date of the closing of the mortgage. The income that must be considered in

determining gross monthly income is the income of all persons who take title to the subject property. It is mandatory that all borrowers qualifying for the loan take title to the property. For all such persons who take title to the subject property, gross monthly income is the sum of monthly gross pay; any additional income from overtime, part-time employment, bonuses, dividends, interest, royalties, pensions, Veterans Administration compensation, net rental income, etc.; and other income (such as alimony, child support, public assistance, sick pay, social security benefits, unemployment compensation, income received from trusts, and income received from business activities or investments, workers' compensation, and disability). The applicable county income limits are available from your lender and on the Fund's website: [www.wvhdf.com](http://www.wvhdf.com).

### **Purchase Price Limits**

Each West Virginia county also has a specified purchase price limit referred to as "acquisition cost" which is generally defined as the cost of acquiring a residence from the seller as a completed residential unit. The applicable purchase price limits are available from your lender and on the Fund's website. No portion of the proceeds of the Housing Development Fund loan can be used to acquire appliances, furniture, or other personal property not permanently affixed to the residence. A true and correct copy of the completed real estate contract or construction contract for the purchase of the residence must be provided to your lender. The purchase price stated herein must be true, correct, and complete. The price stated in the real estate contract represents the complete agreement between the applicant(s) and the seller(s) of the residence. The applicant(s) and the seller(s) of the property cannot enter into an additional contract or agreement, whether written or verbal, expressed or implied, regarding additional construction to the residence or to transfer any additional property for additional cost.

### **Exclusions to Acquisition Cost**

The acquisition cost of a residence does not include:

- (1) usual and reasonable settlement and financing costs (settlement costs include title and transfer costs, title insurance, survey fees and other similar costs, and financing costs include credit reference fees, legal fees, appraisal expenses, "points" which are paid by the purchaser[s], or other costs of financing the residence; such amounts must not exceed the usual and reasonable costs which otherwise would be paid where financing is not provided by Qualified Mortgage Bonds);
- (2) the imputed value of services performed by the purchaser or members of his/her family, which would include only the purchaser's brothers and sisters (whether by whole or half-blood), spouse, ancestors, and lineal descendants in construction or completing the residence; or
- (3) the cost of land which has been owned by the purchaser(s) for at least two years before the date on which the construction of the structure comprising the residence begins.

## **Targeted and Non-targeted County Status**

Income and purchase price limits are different for each county, and each county in West Virginia is either a targeted or non-targeted county. Below is a list of the counties and their respective status as targeted and non-targeted. In targeted counties, borrowers do not have to be a first-time homebuyer.

### **Non-targeted Counties**

#### **First-Time Buyer Restriction**

Barbour	Marion
Berkeley	Marshall
Boone	Mason
Brooke	Mercer
Cabell	Monongalia
Greenbrier	Morgan
Hancock	Ohio
Harrison	Putnam
Jefferson	Raleigh
Kanawha	Wood

### **Targeted Counties**

#### **No First-Time Buyer Restriction**

Braxton	McDowell	Taylor
Calhoun	Mineral	Tucker
Clay	Mingo	Tyler
Doddridge	Monroe	Upshur
Fayette	Nicholas	Wayne
Gilmer	Pendleton	Webster
Grant	Pleasants	Wetzel
Hampshire	Pocahontas	Wirt
Hardy	Preston	Wyoming
Jackson	Ritchie	
Lewis	Randolph	
Lincoln	Roane	
Logan	Summers	

## **First-time Homebuyer Requirement**

Borrowers/title holders in non-targeted counties are required to be first-time homebuyers. Borrowers/title holders cannot meet the first-time homebuyer requirement if they have held any of the following ownership interests in a principal residence during the three years prior to the closing date of the loan:

- A fee simple interest; a joint tenancy; a tenancy in common, or tenancy by the entirety;
- A tenant shareholder interest in a cooperative;
- A life estate;
- A land contract pursuant to which possession and burdens of ownership are transferred, but legal title is not transferred until some later time;
- A beneficial interest in a trust that would constitute a present ownership interest if it were held directly by the mortgagor.

Interests which are not considered ownership interests include: A remainder interest, a lease without regard to any purchase option, an ownership interest in any manufactured housing unit not permanently attached to real property, a mere expectancy to inherit an interest in a principal residence, the interest that a purchaser of a residence acquires upon the execution of a purchase contract, and an interest in other than a principal residence during the previous three years.

## **Recapture Provision**

Because you are receiving a mortgage loan from the proceeds of tax-exempt Qualified Mortgage Bonds and thereby receiving the benefit of a lower interest rate than is customarily charged on other mortgage loans, if you sell or otherwise dispose of your home during the next nine years, this benefit may be partially “recaptured” in the form of higher federal income tax for the year in which you sell your home. The recapture only applies, however, if you sell your home at a gain and if your income increases above specific levels.

You may wish to consult a tax advisor or the Internal Revenue Service at the time you sell your home to determine the amount, if any, of the recapture tax. Within 90 days of the closing of the mortgage loan, you will be given additional information regarding the recapture tax.

## **Property Occupancy**

You are required to occupy the home as your principal place of residence within 60 days after the closing of the loan, or in the case of a loan made to finance the construction of a home, within 60 days after the completion of the construction. Your home must be located within West Virginia and may not be occupied by more than one family. If the home was designed for occupancy by two, three, or four families, it must have been first occupied as a residence for more than five years before the date of the execution of your mortgage, and as a purchaser, you are required to occupy one unit. You cannot use the residence as a recreational home. Except in the case of the rental of units in a two, three- or four family residences meeting the foregoing occupancy requirements, you will not use the home in a trade or business which qualifies you to deduct any portion of the cost of the home as a business expense on your federal or state income tax return(s). In any event, you may not use more than 15% of the total area of the residence in a trade or business. You cannot use the residence as investment property and cannot receive any income from the residence or land being purchased with the residence. All of the land being purchased with the residence must reasonably maintain the basic livability of the home, and you cannot subdivide such land or otherwise sell it. You can neither purchase the residence for purposes of resale or allow the loan to be assumed, nor sell it subject to the mortgage unless expressly permitted by the Housing Development Fund in writing. Any use of the residence that does not comply with the requirements of this paragraph may subject you to substantial penalties, unless prior written approval is obtained from the Housing Development Fund.



## QUALIFIED MORTGAGE BOND APPLICATION AFFIDAVIT

Borrower(s): \_\_\_\_\_

Date of Application: \_\_\_\_\_

Address of Home Being Purchased: \_\_\_\_\_

Participating Lender: \_\_\_\_\_

STATE OF WEST VIRGINIA, COUNTY OF \_\_\_\_\_, To-Wit:

Before signing, please read this affidavit carefully to be sure that the information below is true and complete because your signature indicates that you certify the information below is true to the best of your knowledge. In addition, you give permission to West Virginia Housing Development Fund and its lenders or designees to verify your statements.

If I intentionally make one or more false statements or forge one or more signatures on this Affidavit in an attempt to qualify for a West Virginia Housing Development Fund mortgage loan I will be violating federal criminal laws and West Virginia criminal laws, including § 1014 of Title 18 of the U. S. Code which laws are punishable by substantial fines and/or imprisonment. In addition, if any statement you make in this Affidavit is incorrect or incomplete, West Virginia Housing Development Fund may have the right to terminate any obligation on its part to make the mortgage loan or, if the closing of the mortgage loan has occurred, to declare the mortgage loan immediately due and payable and to pursue its rights under the deed of trust.

The undersigned Borrower(s), as applicant(s) for a home mortgage originated pursuant to the Qualified Mortgage Bond Program of the West Virginia Housing Development Fund, being duly sworn, do/does hereby represent and warrant as follows:

1. I/We have received and have reviewed the Housing Development Fund's Single Family Mortgage Brochure (the "Brochure").
2. I/We are applying under the Qualified Mortgage Bond Program and understand and do comply with the guidelines set forth under this Program.
3. The property is located in \_\_\_\_\_ County, West Virginia, and we understand that in that county there is:
  - a. an income limit of \$ \_\_\_\_\_;
  - b. for a family of \_\_\_\_\_ (number of family members);
  - c. and; a purchase price limit of \$ \_\_\_\_\_.
4. The income limit applies to all persons who execute the Note and/or take title to the subject property.
5. If I/we are purchasing in a non-targeted county, I/we have not had an ownership interest in my/our principal residence within the last three years.
6. That I/we have reviewed the Brochure's Recapture Provision in regard to future sale of the property.
7. I/We will occupy this property as my/our principal residence within 60 days after the date of loan closing or within 60 days of the completion of construction as applicable.
8. I/We will neither use the home as investment property nor as a recreational home and will not receive any income from the home or land being purchased with the home.

Signature \_\_\_\_\_

Signature \_\_\_\_\_

Date \_\_\_\_\_

Date \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_ ,  
\_\_\_\_\_ by (applicant name) \_\_\_\_\_ having provided satisfactory evidence  
that she/he is the person whose name appears in this acknowledgement.

My Commission Expires: \_\_\_\_\_

Notary Public: \_\_\_\_\_





**QUALIFIED MORTGAGE BOND  
SELLER AFFIDAVIT**

I/We, \_\_\_\_\_,  
am/are the Seller(s) of the residence located at \_\_\_\_\_,  
and, being duly sworn, hereby represent and warrant as follows:

1. A true and correct copy of the complete real estate construction contract or sales contract for the purchase of the residence has been provided to the participating lender and the purchase price stated therein is true, correct, and complete as stated.
2. The price stated in the real estate sales contract represents the complete agreement between the purchaser (or any related party for the benefit of the purchaser) and the seller (or any related party to or for the benefit of the seller) including the price of all fixtures, and reflects any indebtedness assumed or incurred by the purchaser or anyone acting on his behalf directly or indirectly (including any special assessments or similar charges).
3. No portion of the purchase price is to be used to acquire appliances, furniture or other personal property not permanently affixed to the residence.
4. I/We have entered into no contract or agreement, either expressed or implied, with the buyer of the residence to perform additional construction on the residence or to transfer any additional property for additional cost other than personal property contained in the residence which is listed by item and amount in the sheet(s) attached hereto as an exhibit and made a part of this Affidavit.
5. I/We represent and warrant that the residence is a single-family residence.
6. I/We acknowledge and understand that this affidavit will be relied upon for purposes of determining the buyer's eligibility for a mortgage loan. I/We acknowledge that a material misstatement negligently or fraudulently made in this Affidavit or in any other statement made by me/us in connection with the buyer's application for a mortgage loan will constitute a federal violation punishable by a final, acceleration of the loan, and any other criminal penalty imposed by law.

_____	_____	_____	_____
Seller	Date	Seller	Date
_____			
_____			

(Address)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_,  
\_\_\_\_\_ by \_\_\_\_\_ (seller(s) name) having provided  
satisfactory evidence that she/he is the person whose name appears in this acknowledgement.

My Commission Expires: \_\_\_\_\_

Notary Public: \_\_\_\_\_

## New Home Buyer Frequently Asked Questions (FAQ)

- Q.** Does getting a fixed rate loan mean that the monthly mortgage payment will remain the same throughout the life of the loan?
- A.** No. The escrow portion of your payment will change as taxes, insurance or the cost of other escrowed items change over the course of the loan. The principal and interest portion of the payment remain the same, but the escrow portion can fluctuate. (Escrow - an account held by the lender/servicer into which a homeowner pays money to cover taxes and insurance, which are added on to the monthly payment).
- Q.** What is the difference between a home inspection and an appraisal report?
- A.** A home inspection is requested by a potential buyer to evaluate the condition of a house and possibly uncover needed repairs or defects prior to purchase. These areas could be used for negotiation or used for conditions of sale. Various types of inspections can be obtained including: plumbing, electrical, structural or general nature. Ask your mortgage lender for a list of recommended inspectors. Mortgage appraisals are requested by the mortgage lender for the purpose of determining the security value of the house for the loan. The appraisal should not be relied upon in the place of a home, electrical or other specific inspections.
- Q.** What is the purpose of a termite report? Is the inspecting company guaranteeing the house does not have termites?
- A.** Termite reports are obtained to determine if active termites are visible in or around the house and if treatment is recommended. Generally, borrowers can check with termite companies to discuss warranties provided as a part of any inspection.
- Q.** How can I be sure the water and sewage systems are adequate?
- A.** The County or Municipal Health Department may have records of sewage system installations or soil conditions in the area. Potential buyers should take all necessary steps, including obtaining inspections, to ensure that any individual water and sewage disposal systems are installed and functioning properly. Your lender is not responsible for the adequacy of such systems.

**Q.** What is the purpose of a title insurance policy?

**A.** There are two types of title insurance policies: a lender's policy and an owner's policy. The buyer is required to purchase a lender's policy to protect the mortgage lender in the event that an error is detected in the title after the purchase of the property. An owner's policy is not required but protects the buyer in the event that an error is detected in the title after the purchase of the property.

**Q.** What is PMI? How long does a borrower have to pay for this insurance?

**A.** PMI stands for Private Mortgage Insurance. It is insurance provided by private insurers to protect lenders against loss if a borrower (with a low-down payment) defaults on a mortgage loan resulting in foreclosure. When the loan to value ratio is scheduled to reach (or actually reaches) 80% of the property's "original value" or value obtained from a currently acquired appraisal and the borrower has paid 12 consecutive monthly payments, the private mortgage insurance may be cancelled at the borrower's request. The borrower will receive notice each year from the mortgage servicer regarding cancellation rights.

**Q.** What is a survey and is one required?

**A.** A survey shows the precise legal boundaries of a property, and the location of improvements, easements, rights of way, encroachments and other physical features. The mortgage lender should be asked if a survey is required.

**Q.** Are smoke detectors required in a home? If so, how many?

**A.** West Virginia state law requires a minimum of one detector outside each sleeping area of a house and a minimum of one on each level/floor.