

# Flathead Finance Program Policies

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# **SECTION 1**

## **POLICY STATEMENT**

The following provides a description of the policies for managing the Flathead Finance Program. Consideration of and appropriate responses to administrative and technical issues are contained herein.

The Flathead Finance Program will be operated in accordance with all applicable rules and regulation of the Confederated Salish and Kootenai Tribes and any participating state and/or federal agency.

## **SECTION 2**

### **PURPOSE**

The purpose of the Flathead Finance Program is to assist eligible families of the Confederated Salish and Kootenai Tribes residing on the Flathead Indian Reservation in becoming owners of structurally sound homes. The Flathead Finance Program provides the following services:

- Homebuyer Education Classes
- Credit Counseling
- Buy Down Assistance
- Closing Cost Assistance
- Foreclosure Prevention Assistance
- Post Purchase Education

## **SECTION 3**

### **ADMINISTRATIVE STRUCTURE**

The Salish and Kootenai Housing Authority Board of Commissioners (Board of Commissioners) granted the executive director of the Salish and Kootenai Housing Authority (the Housing Authority) and staff the authority to develop and administer the Flathead Finance Program.

The executive director and a committee of the Housing Authority's staff have the authority to approve or deny all applications and make loans to the approved applicants based on availability of funds and policies approved by the Board of Commissioners.

Applicants may appeal unfavorable decisions made to the Board of Commissioners in accordance with the Housing Authority grievance policy.

The Flathead Finance Program staff is certified by NeighborWorks America and follows the National Industry Standards for Homeownership Education and Counseling.

# **SECTION 4**

## **PROGRAM REQUIREMENTS**

### **4.1 Applicant Requirements**

- A. Must be at least 18 years of age or show proof of court emancipation.

### **4.2 Application Process**

- A. Information packets and application forms may be picked up at the Housing Authority office.
- B. Once the application is returned, income verification and tribal enrollment is verified to determine eligibility. All information that is contained in the application will be checked and verified for accuracy. Applicants will be informed of eligibility in writing.
- C. The applicant must complete a homebuyer education course and be willing to complete credit counseling if recommended by staff.
- D. Applications will be processed on a first come, first served basis by the Housing Authority staff and based on availability of funds.
- E. A personal interview with the applicant is required.
- F. A written Release of Confidential Information shall be obtained from each applicant. This shall be received from all household members over 18 years of age. The original release forms will be kept in the applicant file.
- G. A credit report will be obtained, if needed, for each individual listed on the application over 18 years of age.

### **4.3 Verification of Information**

- A. Household status by number of members, handicapped members, and household income will need to be verified. The identity and status of all household members will be verified through Social Security Administration identifications, driver's licenses, marriage certificates, divorce decrees, adoption papers, and other applicable documents.
- B. Verification of all household income and assets shall be in accordance with funding source requirements.

- C. Verification as a first time homebuyer will be done by pulling a credit report on each adult household member to see if they ever had a mortgage loan with a financial institution and will contact Tribal Credit to see if a mortgage had been held with them.

#### **4.4 Homebuyer Education**

- A. This is a requirement for all applicants eligible for participation in the Flathead Finance Program.
- B. All borrowers must attend all required courses to receive a certificate of completion.
- C. All borrowers attend a combination of ten hours of class, instruction, and counseling time.
- D. Applicants with excessive debt or credit problems will be required to attend additional counseling.
- E. The Pathways Home homebuyer education curriculum will be used by the Flathead Finance Program.
- F. The applicants are encouraged not to increase their existing debt while actively participating in the Flathead Finance Program.
- G. Per funding requirements, some applicants who live off of the Flathead Indian Reservation may be eligible for counseling services.

#### **4.5 Credit Counseling**

- A. Complete Flathead Finance Application
- B. All adult household members will have a credit report pulled on them.
- C. Applicants must maintain monthly meetings with FFP Staff.
- D. Applicants must complete and maintain a budget tracker for a minimum of six months.
- E. Applicants must start and follow through with credit repair as outlined in the action plan.

## 4.6 Foreclosure Prevention Assistance

- A. Complete Foreclosure Prevention Assistance application and intake with the Flathead Finance Program staff.

Complete applications require the following:

- Letter of reason for mortgage delinquency
- 30 days proof of income; wages, Divorce Decree, Social Security Income, Child Support Order, Disability, Unemployment, Pension, etc.
- Mortgage documents
- W-2s from previous year
- At least one month of utility bills and two months of bank statements
- Tribal ID
- Most recent mortgage statement(s)
- Property Tax Information Sheet
- Copy of Truth-in-Lending Sheet
- All signed release documents
- Foreclosure notice from lender

- B. The applicant must allow the home to be inspected by the Housing Authority if determined to be needed by the Housing Authority.
- C. A committee of the Housing Authority staff and the Flathead Finance Program staff will determine what is best for each applicant based on information from applications, credit reports, and the applicant's lenders.
- D. The applicant will be required to sign Action Plan contracts that require them to actively participate in Credit Counseling with specific recommendations from the Flathead Finance Program staff that will assist them in resolving their delinquency.

# SECTION 5

## FINANCIAL ASSISTANCE PROGRAMS

These financial assistance programs are only available to enrolled members of the Confederated Salish and Kootenai Tribes who qualify under the Housing Authority's funding source requirements.

If assistance is awarded by the Flathead Finance Program, all mortgage documents will be filed according to land status. The Housing Authority will become a junior lien position on the property.

### 5.1 Closing Cost

- A. The assistance amount will be calculated using the actual closing costs determined by the lender, funding source regulations, funding availability and loan requirements.
- B. The applicant must be a first time homebuyer. This is defined as head of household not owning a qualified home within the last three years. Exceptions to the first time homebuyer rule will be considered on a case by case basis and include:
  - An applicant that already owns, as their principal residence, a dwelling unit not in compliance with local or model building codes and other applicable codes, which cannot be brought into compliance with such codes for less than the cost of constructing or purchasing a permanent, code complying structure.
  - Where an applicant has recently divorced or is legally separated and the couple jointly owned the home during the marriage. A copy of the divorce decree must be attached to the application verifying the division of property.
- C. The applicant must be able to qualify for the mortgage loan through a lender.
- D. Eligibility:
  - Once applicant is approved by their lender, they will be required to inform the FFP Staff. All adult household members will need to update their income.
  - The property being considered for purchase will need to have an Environmental Assessment completed.



- A letter of approval/disapproval will be sent to the applicant and lender by the Housing Authority. Approved applicants will have 30 days from date of approval to complete a closing on the loan
- The Flathead Finance Program assistance and the first mortgage from the primary lender combined cannot exceed the appraisal value.

## **5.2 Buy Down**

- A. In special circumstances, the Housing Authority will consider a special needs buy down loan assistance to make the mortgage more affordable.
- B. The assistance amount will be based on funding availability and the needs of the applicant.

## **5.3 Foreclosure Prevention**

- A. The assistance amount will be determined by actual arrearage information obtained from the applicant's lender.
- B. Priority will be given to the applicant whose loans are guaranteed by the Housing Authority.
- C. The applicant will be required to sign a contract that requires full participation in Credit Counseling.
- D. All loans will be secured by a Deed of Trust.
- E. If homeowners insurance assistance is needed, the applicant must obtain a quote from Amerind and two other homeowners insurance companies.

## **5.4 Matched Savings Account**

- A. The applicant must be a current homeowner and be in good standing on the current home loan.
- B. The applicant must only have one loan on the home, not including closing cost assistance or down payment assistance. Preference will go to the applicant who does not have a loan on the home.
- ~~C.~~ A Title Status Report will be pulled on the property to verify what liens are currently on the property.
- D. The applicant must demonstrate that they have funds in a savings or checking account for at least six months. This can be proven by personal funds the individual has saved. Funds from public or tribal assistance programs are not eligible. The applicant is allowed to use a lump sum of

their income tax return but must also show that they have continued to save for six months by saving a minimum of \$25 each month into their account. A copy of the applicant's bank statement showing deposits and that the money has been in the account for a minimum of six months is required.

- E. The applicant must attend the Post Purchase class and complete financial counseling.
- F. An inspection and cost estimate of the proposed repair/improvements by the Housing Authority is required to determine the amount to be saved by the applicant.
- G. The applicant must meet with the Flathead Finance Program staff to determine their savings goal, ensuring that it is attainable within the project period, and complete an action plan.
- H. The applicant will deposit the matched savings funds with the Housing Authority once they have saved all of the matched savings and have met all of the other requirements to qualify for the program.
- I. Each \$1 saved by the applicant will be matched by the Housing Authority with \$3; the maximum Housing Authority match is limited to \$5,000.
- J. Matched Savings Account funds must be used for home repairs and/or improvements as approved by the Housing Authority.
- K. All purchases and contracts will go through the Housing Authority procurement office and follow the Housing Authority procurement policies.
- L. All construction change orders will have an inspection and write up by a Housing Authority inspector. No change orders will be implemented without the Housing Authority review and approval beforehand. Change orders that exceed the maximum match of the Housing Authority will be the responsibility of the applicant. Funds for the overage must be deposited with the Housing Authority before the change order is approved.
- M. All appliances will be ordered by the Housing Authority. Delivery and set up for appliances will be performed by the vendor and will be included as part of the purchase price. The Housing Authority will not deliver or install appliances.
- N. If the applicant withdraws from the program before procurement has been started a refund may be issued to the applicant. If applicant withdraws after procurement has been started, applicant will be responsible for all non-refundable charges by the vendor.

## **SECTION 6**

### **SATISFACTION OF MORTGAGE**

Once the assistance loan is paid in full, a satisfaction of mortgage will be completed and recorded at the appropriate agency. A copy of the recorded satisfaction of mortgage will be given to the applicant.

## **SECTION 7**

### **PROPERTY HELD FOR RESALE**

The applicant is required to complete homebuyer education classes and credit counseling to prepare them for mortgages.

The applicant must actively search for a mortgage that fits their financial situation.

The applicant must not increase their debt while becoming mortgage ready and while actively participating in credit management planning.

The applicant must follow the conditions of their lease determined by the Housing Authority and are held accountable under the current Drug and Alcohol Policy by signing current policy documents.

All homes under the Housing Authority, through the Flathead Finance Program, are made available to potential first time homebuyers that are mortgage ready.

Current lessees have priority to purchase the home before other potential buyers.

## SECTION 8

# NOTIFICATION OF PENALTY FOR MISINFORMATION

Federal regulations establish administrative procedures for imposing civil penalties and assessments against persons who file false claims or statements while applying for benefits. This regulation, which implements the Program Fraud Civil Remedies Act of 1986, applies to all applicants. The Program Fraud Remedies Regulations apply to any person or persons who misrepresent or omit information from applications for services, income verification, re-examination of information, family compositions or ages of family members, etc.

A. Such person or persons may be investigated by the Inspector General and may be subject to the following penalties:

1. Up to \$5,000 for filing such a claim,
2. Up to \$5,000 plus up to twice the amount of benefits which were fraudulently received; and,
3. In any case, whether or not benefits were actually received by the individual/family, or any other remedy, which may be prescribed by law, will still apply. This means the fines do not preclude criminal charges or legal actions against the person(s) committing the fraud.

B. Some of the areas where such fraud may occur:

1. Families reporting less than all sources of income (e.g. only reporting husband's income when both spouses are working, or not reporting all, part-time, or other seasonal income).
2. Families listing more dependents than are eligible or who live in the household.
3. Families misrepresenting age to either get benefits for "elderly" or claim children as dependents after they reach 18 years of age.
4. Families not reporting all assets, such as bank accounts or real estate/home owned.

C. The applicant must read and sign the Notice to Applicants which is included with the Flathead Finance Program application.

## **SECTION 9**

### **DISBURSEMENT OF FUNDS**

All assistance checks will be made payable to the vendor. Funds must be requested at the earliest opportunity possible.

# SECTION 10

## REPAYMENT OF FUNDS

Assistance provided will be in accordance with the funding source regulations.

### 10.1 Closing Cost and Buy Down Assistance

- A. The second mortgage will become effective at the end of the first mortgage or the resale of the home, whichever comes first.
- B. Where payments are applied entirely to the first mortgage, interest on the second mortgage will be set at 0% and payment will be deferred until either the home is sold or the first mortgage is paid. If the first mortgage is paid prior to sale of the home, the second mortgage will become due. In the event that the borrower is unable to pay the full amount on that date, and unless otherwise agreed between the borrower and the Housing Authority, the borrower will repay this loan in monthly payments pursuant to the terms of the promissory note of the second mortgage.
- C. All closing cost assistance have a stipulated clause that states: If the borrower remains on the property for five years then 50% of the closing cost assistance amount shall be deemed a forgivable grant. The remaining balance to be paid per the conditions of the promissory note.
- D. All loans may be prepaid without penalty.
- E. In the untimely death of the borrower, the Housing Authority may declare the remaining indebtedness due and payable. The amount returned to the Housing Authority shall be determined at that time. The terms of the promissory note and appurtenant loan instruments shall constitute a claim against the property of the mortgagor supervisor to that of the borrower's heirs, devisees or successors.
- F. Subordination Requests:
  - The request shall be made in writing to the Housing Authority and reviewed by Housing Authority staff.
  - It shall only be considered if the initial mortgage plus current assistance is not greater than the appraised value at the time of the refinance.
  - This is a one-time request per applicant.

## **10.2 Foreclosure Prevention Assistance**

All loans must begin immediate payback arrangements as stipulated in the promissory note.



# SECTION 11

## DEFAULT

A borrower participating in the Closing Cost Assistance, Buy Down Assistance, or Foreclosure Prevention Assistance programs shall be in default under the following conditions:

- A. The home is not utilized as a primary residence while any portion of the second mortgage remains outstanding. Judgment toward the borrower will be executed.
- B. During repayment, if no payments are made, the current Housing Authority collection procedure will be executed.
- C. Any borrower that defaults with their lender is in default with the Flathead Finance Program.
- D. Default on land lease payments with the CS&KT Division of Lands Department or the Bureau of Indian Affairs will be in default with the Flathead Finance Program.

Any foreclosure that commences against any property mortgaged with the Housing Authority will follow the current Confederated Salish and Kootenai Tribe's foreclosure procedures.

**Approved by the Salish and Kootenai Housing Authority Board of Commissioners at a Regular Meeting held July 21, 2015.**