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Florida's down-payment help for first-time homebuyers is a bust

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The state's plans to stoke the housing market with $30 million of down-payment assistance have hit a bureaucratic wall, with only about $2 million given out statewide to first-time homeowners and little more than a month left to apply.

By the end of September, housing groups throughout the state had closed on 110 down-payment loans and 80 more had been approved, according to state estimates.

"Unfortunately, it's not going as well as we'd hoped," said state Sen. Mike Fasano, R-New Port Richey, who sponsored the legislation for the program. "It is our understanding that there are so many people who would qualify but are unaware of it. ... Realtors are a little disgusted by the way some of the counties haven't put in place the procedures to distribute this money."

The Florida Homebuyer Opportunity Program, which took effect in July, works like this: The state sends down-payment loan money to local housing authorities, which may grant as much as $8,000 to qualified first-time buyers.

The program was meant to complement the federal government's $8,000 tax credit for first-time buyers by lending the money upfront — on the condition they repay it when they get their tax credit.

To get the tax credit — and down-payment loan — a buyer must close on his home by Nov. 30. By the end of September, only about 5 percent of the state's pool of down-payment dollars had been lent to buyers.

More buyers will tap the state's down-payment program with the deadline just five weeks away, but millions of dollars are expected to go untapped.

Lawmakers hoped the program would help boost the state's slumping housing market, which has one of the highest foreclosure rates in the country, with median prices that have tumbled more than 25 percent in the past year.

Sanford resident Jennifer Bette said she knows firsthand why Florida's program has been a bust.

The first-time buyer hoped to take advantage of it through housing offices in Seminole County, but she saw limited chances to apply for the money. Bette said she planned to take off work one day for what she feared would be a "cattle call" registration process.

Other roadblocks further complicated the process, and Bette opted instead to take $8,500 out of her retirement account, under a penalty, so she could buy a town home.

"They just made it so difficult. It was so convoluted. It was very limited," she said Friday. "It was just so government. They should have farmed it out to someone who knew how to do it."

Seminole housing officials said they accepted applications Aug. 3 through Oct. 15 and had one loan closed, with a dozen approved out of 34 applications.

In Osceola County, which has approved one loan and has another dozen pending, time constraints have been challenging considering the funds only became available a few months before the deadline — leaving little time for buyers to find a property, get financing and close, said Osceola housing official Danicka Ransom

Cecka Rose Green, communications director for the state's Florida Housing Finance Corp., which administered the program, said her agency encouraged local housing authorities to promote it, but the timetable was short, with the money only becoming available in August or September.

In addition, she said, there may have been some frustration on the part of local housing authorities that were charged with administering it just after they had experienced sharp cuts in their funding.

"I don't doubt there was some angst out there," she added.

In Orange County, about 300 people called and e-mailed county offices to inquire about the program after the *Orlando Sentinel* wrote about it in late June. Of those hundreds of hopeful buyers, the county approved the upfront down-payment loans for 19, with loans pending for seven.

Even though the program took effect at the beginning of July, it took six to seven weeks to get local approvals and funding from the state, said Kerwin Mellott, administrator for the State Housing Initiatives Partnership program in Orange County.

"I believe many of the inquiries were from people who were looking to buy a home but were very early on in their search," Mellott said.

Buyers were sometimes working with lenders who may not have fully understood the program and who may have been unwilling or unable to grant mortgages based on a down payment that had to be repaid.

Rick Cason, owner of Integrity Mortgage in Orlando, said lenders did not encourage their clients to use the program because mortgage underwriting criteria used to approve loans had not been updated to accommodate such an upfront loan.

The problem, he said, was that the money was distributed through local housing channels and that took too much time.

"The reality is that it had to be run through the county's SHIP [State Housing Initiatives Partnership] program, which adds four to six weeks on top of the normal loan process," Cason said. "What seller will go under contract for two or more months in hopes that someone might get money from the state?"

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Where to find housing cash

Central Florida agencies charged with advancing $8,000 in down-payment assistance loans to first-time buyers include:

LAKE COUNTY: 352-742-6530, e-mail nparks@lakecountyfl.gov.; 352-742-6530, e-mail tblackstone@lake countyfl.gov.

ORANGE COUNTY: 407-836-5172, e-mail kerwin.mellott@ocfl.net.

OSCEOLA COUNTY: 407-742-8400, e-mail dran@osceola.org.

SEMINOLE COUNTY: 407-665-2387, e-mail mcahill@ seminolecountyfl.gov; 407-665-2391, e-mail aknight@seminole countyfl.gov; 407-665-2394, e-mail Chall03@seminolecountyfl.gov.

VOLUSIA COUNTY: 386-943-7029, e-mail ejasper@co.volusia.fl.us; 386-736-5955 or 386-943-7011, e-mail dphillips@co.volusia.fl.us; 386-736-5955, e-mail pszabo@co.volusia.fl.us.