

we make housing affordable

October 18, 2005

## MEMORANDUM

TO: ALL Homeownership Loan Program Participants

FROM: Esrone McDaniels, Deputy Development Officer

RE: Policy Change (as a result of October 14, 2005 Board Meeting)

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On October 14, 2005, Florida Housing's Board of Directors approved a request to allow all active developers to ***"increase the level of subsidy that a homebuyer can receive up to the maximum of 25% of the purchase price of the home."*** Historically, the level of assistance was tied to the number of units that the developer initially committed to in their application for funding to Florida Housing.

Over the past couple years, Florida has experienced dramatic increases in construction and land costs as well as labor costs. These costs are often a pass-through to the homebuyer – driving homeownership out of reach for many low to moderate income families (typically below 80% AMI). Due to this fickle real estate market and the need to build faster to hedge against further cost increases, Florida Housing thought it necessary to allow the developer to maintain the same level of funding with the understanding that fewer units will be produced.

The HLP program is still governed by Rule 67-50, Florida Administrative Code and each developer will have to continue to abide by the parameters of the rule. This policy change will allow the developer to offer more assistance to the homebuyer due to the increased costs without having to petition Florida Housing's Board of Directors for approval each time the costs have gone up.

In order to receive the benefit of this policy, the following will need to occur:

- 1.) Florida Housing will need to be notified in writing each time the price of a home is increased
- 2.) All increases will need to be substantiated and quantified based on actual costs
- 3.) Appraisals must support the purchase prices
- 4.) An updated "Affordability Analysis" will need to be completed demonstrating the borrowers' ability to afford the home (HUD purchase price limits will still apply)
- 5.) The request needs to be completed prior to requesting a draw based on the increased purchase prices

Staff and the credit underwriters will be reviewing all information submitted to ensure that costs are not excessive and are within the purview of the rule and standard mortgage practices. All information should be submitted to Elizabeth Loggins, HLP Administrator. Should you have further questions, please call us at (850) 488-4197. Thanks.