



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, established by and functioning in accordance with the West Virginia Code. 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 this responsibility is through the sale of tax-exempt bonds to finance its Single-Family Mortgage Programs (“Programs”).

With the sale of tax exempt bonds, however, the Internal Revenue Code (Code) imposes certain requirements on the Housing Development Fund and participating lenders. Interest on Qualified Mortgage Bonds (QMB’s) issued by the Housing Development Fund to finance the Programs is held taxable unless all requirements of the Code are met.

You have applied for a mortgage loan from the proceeds of these QMB’s, 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. 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 will also be asked to provide the Seller Affidavit, which is also located in the back of this document, to the seller for their signature(s), which needs to be returned to your mortgage lender before approval of your application.

Mortgage Eligibility Requirements

Certain eligibility requirements must be met to qualify for a Qualified Mortgage Bond mortgage loan. The basic mortgage eligibility requirements include the income limit requirement, the purchase price limit (acquisition cost), prior ownership limitation, recapture requirement and occupancy requirement, 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 the 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 Affidavit to your lender.

Income Limits

Each West Virginia County has a specified income limit. The intent of the federal regulations governing the Program income limits is to determine eligibility and to project household income for the next twelve months from the date of closing. Income documentation will be required for all parties and information with respect to gross monthly income may be obtained from loan documents executed during the three-month period ending on the date of the closing of the mortgage. Household Income is the gross annual income for all adults that intend to occupy the home within one year from loan closing. All sources of income must be included, except income received by persons under the age of 18 or income of dependants above 18, who are enrolled as a full-time student(s) in a continual education program such as undergraduate, graduate or technical school. Annualized gross income is determined by multiplying gross monthly income by 12. Gross monthly income is the sum of monthly gross pay including 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 insurance).

Acquisition Cost

Each West Virginia County also has a specified sales price limit referred to as acquisition cost which is defined as the cost of acquiring a residence from the seller as a completed residential unit. The sales price limit is available from your lender. 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, along with the Seller Affidavit in the back of this document, 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);

(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 sales 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 status. A targeted county is one that is targeted for growth. In these counties, borrowers do not have to be a first-time homebuyer. For all other counties, borrowers/title holders must be a first-time homebuyer to obtain a QMB mortgage loan (or not have owner-occupied a home in the last 3 years).

Please ask your lender for the income and sales price limits for the county in which you wish to purchase your residence. Additionally, under certain Housing Development Fund programs, the income limit restrictions may not apply to targeted counties. Consult your lender for details.

Non-targeted Counties		Targeted Counties		
First-Time Buyer Restriction		No First-Time Buyer Restriction		
Barbour	Marion	Braxton	McDowell	Taylor
Berkeley	Marshall	Calhoun	Mineral	Tucker
Boone	Mason	Clay	Mingo	Tyler
Brooke	Mercer	Doddridge	Monroe	Upshur
Cabell	Monongalia	Fayette	Nicholas	Wayne
Greenbrier	Morgan	Gilmer	Pendleton	Webster
Hancock	Ohio	Grant	Pleasants	Wetzel
Harrison	Putnam	Hampshire	Pocahontas	Wirt
Jefferson	Raleigh	Hardy	Preston	Wyoming
Kanawha	Wood	Jackson	Ritchie	
		Lewis	Randolph	
		Lincoln	Roane	
		Logan	Summers	

Prior Ownership Limitation

Borrowers/title holders in non-targeted counties are required to meet the first-time homebuyer's test. Borrowers/title holders cannot meet the first-time homebuyer's test 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, a tenancy by the entirety, a tenants-shareholder 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, 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 receiving the benefit of a lower interest rate, 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 closing, you will be given additional information needed to calculate the recapture tax, if applicable.

Property Occupancy

Your home must be located within West Virginia and 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 occupied as a residence for more than five years before the date of the execution of your mortgage. As a purchaser, you are required to occupy one unit. You are required and must 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. From that time forward, you are required to occupy the property as your principal residence until the loan is paid in full. Except in the case of the rental of units in a two, three- or four unit home, 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. You cannot use the residence as a recreational home. All of the land being purchased with the residence maintains the basic livability of the home, and you cannot subdivide such land or otherwise sell it. You cannot purchase the residence for purposes of resale and cannot allow the loan to be assumed, nor sell it subject to the mortgage unless 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 the penalties in the next paragraph, unless prior approval is obtained from the Housing Development Fund.

Penalties

You will be subject to penalties if you make any material misstatements or omit any of the information required on any form or affidavits required to complete this loan process. If so, the following may occur:

1. You may be fined not more than \$5,000 or imprisoned not more than two years, or both, pursuant to Section 1014 of Title 18 of the United States Code.
2. The Prosecuting Attorney may be contacted for investigation regarding perjury, misrepresentation and/or fraud.
3. The outstanding principal balance of your loan will be immediately due and payable together with accrued interest and foreclosure costs (if foreclosure is necessary because payment in full is not made immediately).

You acknowledge that you have read and understand the following provisions of the West Virginia Code, 1931, as amended:

Section 61-5-2. False Swearing (Perjury). To willfully swear falsely, under oath or affirmation lawfully administered, concerning any matter or thing material or not material, is false swearing and is a misdemeanor.

Section 61-5-3. Penalties for perjury, subornation of perjury, and false swearing. A person convicted of false swearing shall be fined not more than \$1,000 and in the discretion of the court, confined in jail not more than one year. In either case, the person convicted shall be adjudged forever incapable of holding any office of honor, trust or profit in the State, or of serving as a juror.



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:

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. a household income limit of \$ _____;
b. for a family of _____ (number of family members);
[Provide name(s) and relationship to borrower for any person included in 3b that isn't reflected on the 1003 under Section III - Borrower Information]
c. _____ and; a house price limit of \$ _____.
4. If I/we are purchasing in a non-targeted county, I/we have not had an ownership interest in my/our primary residence within the last three years.
5. That I/we have reviewed the Brochure's Recapture Provision in regard to future sale of the property.
6. I/We will occupy this property as my/our primary residence within 60 days after the date of loan closing or within 60 days of the completion of construction as applicable.
7. I/We will not use the home as investment property and will not receive any income from the home or land being purchased with the home.
8. That I/we have read the Brochure's penalty provisions for declaring a false statement in regard to obtaining a mortgage loan through Qualified Mortgage Bonds.

Signature _____ Date _____ Signature _____ 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

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. In most areas, individual water and sewage disposal systems are subject to inspection by the lender. Ask the mortgage lender if inspections are required.

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.



West Virginia Housing
Development Fund

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