

# **RICHLAND COUNTY GOVERNMENT**



## **Richland County Homeownership Assistance Program (RCHAP)**

### **Policies & Procedures Guide**



**May 2019**

## **Richland County Homeownership Assistance Program (RCHAP)**

*Richland County Government receives funding from the U.S. Department of Housing and Urban Development (HOME funds) Richland County reserves the right to set aside some of these funds for the revitalized neighborhoods.*

### **Purpose of Program**

- To increase the awareness of the need for affordable housing in Richland County
- To increase the opportunity of homeownership for low and moderate income persons/families
- To provide down payment and closing cost assistance to potential homebuyers who meet the low to moderate family income limits, as established by HUD, in the unincorporated areas of the County of Richland, as outlined in the program guidelines
- To educate citizens about homeownership, credit repair, and financing

### **Eligible Participants**

- Must be a resident of South Carolina
- Must show an acceptable form of income for the entire household. If applicant is not employed, he/she must have income documentation supporting one of the following:
  - 1) Disability Benefits
  - 2) Social Security Benefits
  - 3) Other Retirement Benefits
  - 4) Proof of Job Displacement
  - 5) Proof of Registration with Employment Security Commission
  - 6) Proof of self-employment
  - 7) Child Support
  - 8) Alimony
- Must be qualified as a household of low to moderate income (Richland County will use the Section 8 definition of income – based on 80% of the area median income with adjustments for household size—see below):

HUD Income Limits 2019								
Columbia SC (Richland County) Metro FMR Area								
# Of Persons in Household	1	2	3	4	5	6	7	8
80% Limits	\$38,600	\$44,100	\$49,600	\$55,100	\$59,550	\$63,950	\$68,350	\$72,750

- All information submitted will be treated confidentially and will not be disclosed to any outside parties.
- Please note that knowingly and willfully providing false or misleading information to or for federal government is a federal violation and can subject one to fines, imprisonment or both.

- Must be able to secure a home mortgage independent of a co-signer
- Must occupy the property as a principal residence for five(5) years
- Cannot presently own a home or land, or previously owned a home or land in the last three (3) years
- Cannot have an existing contract on a home at the time of application, nor enter into one until receipt of the letter of eligibility from the County.
- Must complete required homeownership class(s) that will supply a minimum of twelve (12) hours class time. For RCHAP purposes, the certificates from the Columbia Housing Authority Home Buying classes are valid for one year from date of the class.
- Must attend (1) **mandatory** post-homeownership class to be given by Richland County within the first year of becoming a home owner. If the mandatory post-homeownership class is not completed, the release of lien will not be recorded until compliant.

### **Debt-to-Income Ratio(Underwriting)**

The Debt-to-Income (dti) ratios cannot exceed 33% front end and 43% back end. These figures are calculated to make sure the applicant will be able to comfortably afford the new home.

### **Grant Amount**

RCHAP assistance shall be up to \$10,000 (but not to exceed) per applicant. The Assistance will be applied toward down payment and/or closing costs, which is specified by the lending institution. Richland County will determine the amount of assistance per applicant based on the following:

- Income of the purchaser(s) which is defined as the person(s) that will be listed on the deed to the house,
- Debt-to-income ratios
- If the property is existing or new construction
- Eligible Property is in the un-incorporated areas of Richland County

The debt-to-income ratios will be considered before calculating final assistance amount. The purchaser(s) cannot exceed a debt ratio of 33% on the front end and 43% on the back end.

**Funds for eligible applicants will be provided on a first-come, first-serve basis until all available funds are expended.**

Down payment assistance checks are written in the name of the purchaser(s) and the closing attorney. No money can go to the buyer at closing, even earnest money that has been paid.

The above is for purposes of grant amount determination per housing unit per homebuyer. Household income is still used to determine eligibility per current HUD income limits.

### **Other Funding Sources**

Other state/federal housing grant or loan assistance programs can be used in conjunction with RCHAP's assistance. These programs, however, cannot interfere with Richland County's program requirement that RCHAP assistance be recorded as a second mortgage. Subsidy layering of federal and state grants and loans assistance is prohibited.

## **Application Fee**

Richland County requires a non-refundable \$50.00 application fee in the form of a cashiers check, money order, or cash. The application fee covers program administration and processing costs. Richland County will not accept personal checks for this program.

## **Loan Mortgage**

Richland County is not responsible for assisting with or processing mortgage loans. All mortgage loans must be approved through a certified financial institution.

Mortgages will be placed in first position for repayment by a reputable mortgage lending institution and Richland County will take second position for repayment based on the Recapture Agreement. The mortgage will be up to thirty (30) years, at a fixed rate.

## **Interest Rate**

Interest rate must be at or below the current rate. Richland County reserves the right to consider, on a case-by-case basis, approval of assistance if the interest rate exceeds the going rate. Interest rate must be a fixed rate. No adjustable rate mortgages are accepted.

## **Refinancing**

Refinancing will be allowed on a case-by-case basis. If the applicant is seeking refinancing from another lending institution, the Community Development Department must be contacted for repayment arrangements.

## **Richland County Mortgage Agreement**

Richland County will provide down payment and/or closing costs assistance in the form of a deferred forgivable loan. The applicant/homeowner must use the house as their primary residence for a minimum of five (5) years from the date of the closing and complete one (1) post-homeownership class in order for the assistance to be completely forgiven.

Richland County will place a second mortgage lien on the property for the five year period (from the date of the loan closing). The lien will be deferred and will require that the funds (down payment and/or closing costs) be repaid if a change in use or a change in ownership occurs during the five year period, such as foreclosure or renting out of the property.

The following restrictions also apply:

- (a) Second mortgages are not prohibited. If a second mortgage is secured, the County must be notified within thirty (30) days in order to make arrangement for repayment of funds.

## Recapture Clause

The house must continue to be the principle residence of the homebuyer. If the Borrower does not maintain principal residency in the property for at least five years from the date of closing, Richland County will recapture all or a portion of the HOME assistance to the homebuyer. Failure to maintain the original terms of the mortgage will result in recapture of the grant. In the case of sale; RCHAP will require repayment of funds to be distributed from the net proceeds of the sale of the property. A change in the mortgage is triggered by refinancing, selling, or renting the home within the period of affordability. The recaptured amount of the grant is on a prorata basis determined by the amount of time the homeowner has owned and occupied the house and will be measured by the affordability period outlined below.

HOME OCCUPANCY TIME LIMIT	REPAYMENT AMOUNT OF LOAN
1 Year or less	100%
2 Years (up to)	80%
3 Years (up to)	60%
4 Years (up to)	40%
5 Years (up to)	20%
5 Years and over	0%

## Satisfaction of Mortgage

After the five year period, the County will submit a “Release of Lien” document to the Richland County Register of Deeds Office. Once the Register of Deeds Office processes the Release of Lien, a copy of this document will be placed in the applicant’s file and a copy will be sent to the applicant. In addition, the applicant will receive a “Satisfaction of Mortgage” letter from the Richland County Community Development Department. This letter, along with the Release of Lien officially releases the applicant from any obligations to the County.

## Eligible Property

- The property must be outside the city limits to include, Columbia, Irmo, Eastover, Forest Acres, Arcadia Lakes, and Blythewood.
- Property must be the **primary residence** of the buyer
- Property must pass a home inspection conducted by a Certified SC state licensed home inspector
- Property must appraise for at least the purchase price
- Property must a new or existing single-family house built after 1978 (see lead-based paint section)
- RCHAP uses actual HUD issued 95% of area median purchase price (existing property can’t exceed **\$147,000**, and new construction can’t exceed **\$227,000**) if amount exceeds then we will not be able to assist with the purchase of the home. Amount subject to change, per HUD updates.

## **Notice to Seller**

The “Notice to Seller” form allows the seller to know that the applicant (buyer) is seeking federal funds for down payment and/or closing costs to assist with the transaction. In addition, this form outlines the specifics of the voluntary sale. This form should be signed and witnessed by the seller at the same time the contract is being executed. A copy of the signed/witnessed form must be provided to RCHAP. Any questions and/or clarifications about this form should be directed to RCHAP staff.

## **Lead-Based Paint**

It is a federal requirement that all homes built prior to 1978 be inspected for lead-based paint. This Regulation requires corrective measures that cannot be avoided. Richland County has opted not to include in the program houses built prior to 1978 in order to avoid violation of federal Regulation. The lead-based paint removal would be considered a rehabilitation expense, which cannot be covered by Richland County Homeownership Assistance Program.

## **Foreclosures**

Foreclosures could seriously affect your ability to qualify for credit in the future.

### ***TIPS ON WHAT YOU SHOULD DO:***

1. **DO NOT IGNORE THE LETTERS FROM YOUR LENDER.** If you are having problems making your payments, call or write to your lender's Loss Mitigation Department without delay. Explain your situation. Be prepared to provide them with financial information, such as your monthly income and expenses. Without this information, they may not be able to help.
2. Stay in your home. You may not qualify for assistance if you abandon your property.
3. Contact a HUD-approved **housing counseling agency by calling 877-LOAN CLOSING DISCLOSURE515** or **TDD (800) 877-8339** for the housing counseling agency nearest you. These agencies are valuable resources. They frequently have information on services and programs offered by Government agencies as well as private and community organizations that could help you. Housing counseling agencies may also offer credit counseling. These services are usually free of charge. Mortgage Default and Foreclosure Counseling Program information can be found at [www.foreclosurehelpforSC.org](http://www.foreclosurehelpforSC.org), or by calling 1-888-320-0350.
4. In the event of foreclosure, full or partial repayment of the RCHAP HOME assistance will be required from the net proceeds. If there are no net proceeds or insufficient proceeds to recapture the amount of investment due, the amount subject to recapture must be limited to what is available from the net proceeds.

## **Subordination**

It is Richland County's policy not to subordinate to subsequent mortgage loans except when the Richland County Housing Advisory Committee determines that it is in the best interest of the homeowner.

## **Classes**

It is mandatory for each applicant to attend Homebuyer Education Classes. The vendor/contractor for these classes may vary each year; but must be a minimum of twelve (12) hours of class time attended. (RCHAP agrees to the information presented as well as the time schedules provided by the vendor/contractor.) Richland County cannot be held responsible for any unforeseen class cancellations. Class participation will be contingent upon initial program eligibility. For RCHAP purposes, certificates from the Columbia Housing Authority Homebuyer classes are valid for one year from date of class. **Attendance to one post-homeownership class hosted by Richland County is also required.** This class will be held twice each year. This class is intended to assure that the home owner is able to maintain the home and the mortgage. It will include many facets of home and loan upkeep.

## **Residential Anti-Displacement and Relocation**

Richland County will be undertaking a homeownership activity. This activity is not anticipated to result in any person or persons being displaced from their home(s). If Richland County must conduct any relocation activities funded in whole or in part with grant funds or conducted in conjunction with grant funded activities, it will be done in compliance with the requirements of the Uniform Relocation Assistance and Real Property Acquisition Act of 1970, its amendments and implementing regulations.

## **Conflict of Interest**

It has been determined that employees of Richland County Government may be eligible, based on income, to participate in the Homeownership Program, with the exception of members and employees of:

- County Council
- County Administration Department
- Finance Department
- Community Development Department
- County Attorney's Office,
- And any other employee who exercises functions or responsibilities with respect to the activities assisted with this program.

All participants in the program must meet eligibility and program requirements.

Persons with questions or comments concerning this issue may contact, in writing, the Community Development Department at 2020 Hampton Street, Suite 3063B, Columbia, South Carolina 29204, or by calling (803) 576-2230.

Richland County Government does not discriminate on the basis of age, color, religion, sex, national origin, familial status, or disability in the admission or access to, or treatment of employees in its federally assisted programs or activities. Dwight Hanna, Human Resource

Director, 2020 Hampton Street, 576-2110, has been designated to coordinate compliance with the discrimination requirements contained in the US Department of Housing and Urban Development's regulations implementing Section 504 (24 CFR Part 8, dated June 2, 1988).

## **Grievance Procedures**

The purpose of these procedures is to set forth guidelines for processing appeals from the Community Development Department as to the regulation of grievances filed by participants in Richland County's Homeownership Assistance Program. Any participant (i.e. property owner, applicant, or contractor) may appeal decisions made by the Community Development Office if he/she believes these decisions are egregious or impinge on his/her rights. A written grievance must be submitted to the Community Development Director, 2020 Hampton St., Suite 3063 B, Columbia, SC 29204.

The appeals process for property owners, applicants, or contractors is as follows:

1. Community Development Staff
2. Housing Advisory Committee
3. Richland County Administration

### **Level 1: Community Development Staff**

After receiving a written complaint every effort will be made to resolve disputes at the staff level. The appropriate staff person will meet with the aggrieved parties and with others who may be involved to resolve disputes fairly and quickly. The staff will respond to written complaints within (30) thirty days. If the grievance is not resolved to the satisfaction of the program participant at staff level, the aggrieved party can submit a written request for a hearing before the Housing Advisory Committee within (10) ten days from date of the staff response. This request should be sent to the Community Development Director, 2020 Hampton Street, Columbia, SC 29204.

### **Level 2: Housing Advisory Committee**

The Housing Advisory Committee consists of representatives of Richland County. The Housing Advisory Committee will respond to written appeals within (15) fifteen business days after receiving the request. If the grievance is not resolved to the satisfaction of the program participant at this level, the aggrieved party can submit a written request for a hearing before Richland County Administration within (10) ten days from date of the Housing Advisory Committee response. This request should be sent to the Richland County Administrator, 2020 Hampton Street, Columbia, SC 29204.

### **Level 3: Richland County Administration**

The aggrieved party is entitled to a hearing before the Richland County Administration. The County Administrator will respond to written appeals within (15) fifteen business days. This hearing represents the final level of appeal.

## **Application Process**

Citizens interested in participating in the Richland County Homeownership Assistance Program (RCHAP) can contact **Richland County Government, Community Development Department at (803) 576-2230**



- Interested citizens must attend the RCHAP Orientation, (date, time, and locations of future Orientations will be listed in the RCHAP application packets, which will be provided at that time.
- Applicant is required to attend the homebuyer education classes through the Columbia Housing Authority. Classes will include topics such as financing, home selection process, budgeting and credit, as well as home and yard maintenance. The classes are free of charge and certificates will be issued upon completion of each class. For RCHAP purposes, homebuyer education class certifications dated within one year prior to the RCHAP application submission date are acceptable. **All copies of the certificates must be on file for an application to be complete. It is the responsibility of the applicant to keep certificates current.**
- A prequalification or preapproval letter from a reputable financial institution is required to submit the application. The letter must be valid, the expiration date must be 90 days or greater. No application will be accepted without this documentation.
- The RCHAP application, along with \$50.00 fee must be submitted to Richland County Government, Community Development Department, and 2020 Hampton St., Suite 3063B, Columbia, South Carolina 29204. **(This fee is non-refundable.)** Upon receipt of the application, the Community Development Department will review the application for income eligibility and will verify employment.
- **Incomplete applications will not be processed and will be returned with explanation. The applicant will receive, in writing, the status of the application within 30 days of receiving the application. If applicant is turned down for any reason, he/she must wait six (6) months before re-submitting an application.**

**Note: Income eligibility is valid for six months from the date of notification, after which household income will need to be re-verified. At which time a current preapproval or prequalification letter will need to be provided to update eligibility.**

- All information submitted will be treated confidentially and will not be disclosed to any outside parties.
- Please note that knowingly and willfully providing false or misleading information to or for federal government is a federal violation and can subject one to fines, imprisonment or both.
- Applicant cannot have a contract on a home prior to submitting the application. There can be no contract to buy a house until after applicant's receipt of the letter of eligibility from the County.
- Applicants will receive written notification of eligibility to participate in the program. Please note that this letter implicates eligibility only. This notification **is not a guarantee of funds** and is valid for 6 months. RCHAP is funded annually and funds are available on a first-come first-served basis upon eligibility and funding availability.

- Once the eligibility letter is received, applicants should move forward working with their lender and realtor to secure a purchase contract on a home.
- The Real Estate Agent must be notified that RCHAP grant funds will be used in this process.
- The Real Estate Agent will acquire the applicant's, the seller's, and the witnesses' signatures on the "Notice to the Seller" form. This can be submitted to the seller when submitting a contract. The "Notice to the Seller" form should be turned in to Richland County with the purchase contract.
- Once a home is selected for purchase, and has a contract signed by the buyer and the seller, the Real Estate Agent is responsible to get a copy of the contract to Richland County. Remember at this time to also have the agent witness the General Notice to Seller form and send it to the Seller.
- Please notify RCHAP staff of your closing attorney name and contact information as soon as one is chosen. RCHAP will send them the documents to be executed with the others at closing and make them aware of what documents we require after closing.
- When the closing is scheduled, RCHAP staff must receive the LOAN CLOSING DISCLOSURE form twenty-four (24) hours prior to the closing date. \*\*
- Richland County will then issue a check payable to the closing attorney and the applicant. The applicant will, at closing, sign the RCHAP Deferred Forgivable Mortgage and Promissory Note along with the other closing documents. Be aware that the County requires sufficient time to cut a check, therefore keep staff updated during the home buying process.
- Richland County must receive a copy of closing documents from attorney within 30 days of closing.
- If turned down for any reason, applicant must wait six (6) months before re-applying. That will be from the day of the letter stating the reason for being turned down.

**\*\*Richland County reserves the right to cancel any closings that are not in compliance with the requirements/regulations of RCHAP and the HOME Investment Partnerships Program.**

### **Responsibilities of RCHAP Coordinator**

- Provide information on RCHAP
- Provide assistance and follow up with applicants
- Verify employment and income(s) to determine eligibility of each applicant
- Provide schedule for required classes(Orientation and CHA Classes)
- Provide down payment check for closing
- Ensure that each applicant follows all guidelines and requirements as outlined

### **Responsibilities of Applicant**

- Keep in contact with RCHAP Coordinator throughout the process
- Ensure that all necessary program requirements are met
- Attend mandatory classes
- Ensure the home is located in an unincorporated area of Richland County
- Provide RCHAP Coordinator with a copy of the inspection report including the invoice for the inspection
- Provide RCHAP staff with a copy of the loan pre-approval letter, heat/air letter, termite letter, the appraisal, and a copy of the consumers credit report
- All information submitted will be treated confidentially and will not be disclosed to any outside parties.
- Please note that knowingly and willfully providing false or misleading information to or for federal government is a federal violation and can subject one to fines, imprisonment or both.

### **Responsibilities of Real Estate Agent**

- Be familiar with the Richland County Homeownership Program guidelines
- Assist the applicant with the selection of a house that is located in an **unincorporated** area of Richland County
- Help the buyer enter a ‘bid’ / purchase contract on a house
- Assist buyer with home inspection, HVAC letter, CL100 report, and any other necessary inspections or paperwork
- Provide “Notice to Seller” form regarding buyer’s intent to the seller, and the signed and witnessed form back to RHCAP. This is generally submitted along with the purchase contract.
- Copy of the LOAN CLOSING DISCLOSURE must be provided to Richland County not less than one business day prior to the scheduled closing date.

**NOTE:** The LOAN CLOSING DISCLOSURE must include the amount needed from Richland County for the down payment and/or closing cost. The Richland County Homeownership Program must be indicated as a separate line item, along with the amount needed. Also, be aware that no funds can go back to the buyer at the time of closing. Any funds not needed for closing costs should be put towards downpayment, used as principal reduction, or refunded to Richland County. No money can go to the buyer at closing.

### **Responsibilities of Private Lender**

- Assist RCHAP applicant with loan information
- Provide Richland County with a copy of the homebuyers credit report (prior to closing)
- Provide a copy of the Preliminary Closing Disclosure
- Lender is responsible for making sure the pre-approval letter is provided to the applicant who in turn will provide a copy to RCHAP staff.
- Lender is responsible for making sure the appraisal is provided to the applicant who in turn will provide a copy to RCHAP staff.

- Be aware that no money can go to the buyer at closing. If all funds aren't needed for closing costs, they should go towards downpayment, used as principal reduction, or be refunded to Richland County

### **Responsibilities of Closing Attorney**

- Copy of the Loan Closing Disclosure must be provided to RCHAP staff one business day prior to the scheduled closing date
- Loan Closing Disclosure must include the total amount needed from Richland County for the down payment and/or closing cost. The Richland County Homeownership Program must be indicated as a separate line item, along with the amount needed
- Richland County will provide a check written to the applicant and the closing attorney. If the total amount is not needed for the closing, it should be used for principal reduction (written to the lending institution) or, the attorney will provide a reimbursement check to Richland County
- Be aware that no money can go back to the buyer. Any funds not used for closing costs should be used towards downpayment, principal reduction, or are to be refunded to Richland County
- The RCHAP Deferred Forgivable Mortgage and Promissory Note must be filled out, signed, and witnessed at the time of closing and filed with the other closing documents. These forms will be provided to the closing attorney on or before the day of the closing
- A copy of the closing documents and reimbursement check (if applicable) must be provided to Richland County within thirty (30) days of the actual closing.

### **Responsibilities of Inspector (SC Licensed Home Inspector)**

- The Home Inspector is required to inspect all homes as requests are made.
- The Home Inspector is responsible for contacting the real estate agent to get access to the house for inspection, and any additional information about the house in question.
- The Home Inspector is responsible for making sure the inspection report is provided to the applicant who in turn will provide a copy to RCHAP staff.
- The home must pass this inspection without any major immediate problems.
- If home does not pass initial inspection, there must be a follow-up inspection or written documentation showing that the repairs have been completed.
- After careful review of the Residential Inspection Report, the RCHAP coordinator will make the determination if and what items should be repaired before closing. The following items (but not limited to) must be addressed before a DPA check will be provided: Electrical, Plumbing, HVAC, Foundation, Termite, and Roof.

## GLOSSARY

**Adjustable-Rate Mortgage (ARM):** a mortgage loan that does not have a fixed interest rate. During the life of the loan the interest rate will change based on the index rate. Also referred to as adjustable mortgage loans (AMLs) or variable-rate mortgages (VRMs). **For all RCHAP applicants, fixed rate mortgages are required.**

**Amortization:** a payment plan that enables you to reduce your debt gradually through monthly payments. The payments may be principal and interest, or interest-only. The monthly amount is based on the schedule for the entire term or length of the loan.

**Annual Percentage Rate (APR):** a measure of the cost of credit, expressed as a yearly rate. It includes interest as well as other charges. Because all lenders, by federal law, follow the same rules to ensure the accuracy of the annual percentage rate, it provides consumers with a good basis for comparing the cost of loans, including mortgage plans. APR is a higher rate than the simple interest of the mortgage.

**Buy Down:** the seller pays an amount to the lender so the lender provides a lower rate and lower payments many times for an ARM. The seller may increase the sales price to cover the cost of the buy down.

**Certificate of Title:** a document provided by a qualified source, such as a title company, that shows the property legally belongs to the current owner; before the title is transferred at closing, it should be clear and free of all liens or other claims.

**Clear Title:** a property title that has no defects. Properties with clear titles are marketable for sale.

**Closing Costs:** fees for final property transfer not included in the price of the property. Typical closing costs include charges for the mortgage loan such as origination fees, discount points, appraisal fee, survey, title insurance, legal fees, real estate professional fees, prepayment of taxes and insurance, and real estate transfer taxes. A common estimate of a Buyer's closing costs is 2 to 4 percent of the purchase price of the home. A common estimate for Seller's closing costs is 3 to 9 percent.

**Closing Disclosure:** A Closing Disclosure is a five-page form that provides final details about the mortgage loan you have selected. It includes the loan terms, your projected monthly payments, and how much you will pay in fees and other costs to get your mortgage (closing costs).

**Covenants:** legally enforceable terms that govern the use of property. These terms are transferred with the property deed. Discriminatory covenants are illegal and unenforceable. Also known as a condition, restriction, deed restriction or restrictive covenant.

**Credit Report:** a report generated by the credit bureau that contains the borrower's credit history for the past seven years. Lenders use this information to determine if a loan will be granted.

**Debt-to-Income Ratio:** a comparison or ratio of gross income to housing and non-housing expenses; With the FHA, the-monthly mortgage payment should be no more than 33% of monthly gross income (before taxes) and the mortgage payment combined with non-housing debts should not exceed 43% of income.

**Default:** the inability to make timely monthly mortgage payments or otherwise comply with mortgage terms. A loan is considered in default when payment has not been paid after 60 to 90 days. Once in default the lender can exercise legal rights defined in the contract to begin foreclosure proceedings

**Deposit (Earnest Money):** money put down by a potential buyer to show that they are serious about purchasing the home; it becomes part of the down payment if the offer is accepted, is returned if the offer is rejected, or is forfeited if the buyer pulls out of the deal. During the contingency period the money may be returned to the buyer if the contingencies are not met to the buyer's satisfaction.

**DPA:** Down Payment Assistance

## GLOSSARY

**Escrow:** funds held in an account to be used by the lender to pay for home insurance and property taxes. The funds may also be held by a third party until contractual conditions are met and then paid out.

**Fixed-Rate Mortgage:** a mortgage with payments that remain the same throughout the life of the loan because the interest rate and other terms are fixed and do not change.

**Foreclosure:** a legal process in which mortgaged property is sold to pay the loan of the defaulting borrower. Foreclosure laws are based on the statutes of each state.

**Home Warranty:** offers protection for mechanical systems and attached appliances against unexpected repairs not covered by homeowner's insurance; coverage extends over a specific time period and does not cover the home's structure.

**Homeowner's Insurance:** an insurance policy, also called hazard insurance, that combines protection against damage to a dwelling and its contents including fire, storms or other damages with protection against claims of negligence or inappropriate action that result in someone's injury or property damage. Most lenders require homeowners insurance and may escrow the cost. **Flood insurance is generally not included in standard policies and must be purchased separately.**

**Interest Rate:** the amount of interest charged on a monthly loan payment, expressed as a percentage.

**Lien:** a legal claim against property that must be satisfied when the property is sold. A claim of money against a property, wherein the value of the property is used as security in repayment of a debt. Examples include a mechanic's lien, which might be for the unpaid cost of building supplies, or a tax lien for unpaid property taxes. A lien is a defect on the title and needs to be settled before transfer of ownership. A lien release is a written report of the settlement of a lien and is recorded in the public record as evidence of payment.

**Loan Origination Fee:** a charge by the lender to cover the administrative costs of making the mortgage. This charge is paid at the closing and varies with the lender and type of loan. A loan origination fee of 1 to 2 percent of the mortgage amount is common.

**Loan to Value (LTV) Ratio:** a percentage calculated by dividing the amount borrowed by the price or appraised value of the home to be purchased; the higher the LTV, the less cash a borrower is required to pay as down payment.

**Lock-In:** since interest rates can change frequently, many lenders offer an interest rate lock-in that guarantees a specific interest rate if the loan is closed within a specific time.

**Market Value:** the amount a willing buyer would pay a willing seller for a home. An appraised value is an estimate of the current fair market value.

**Mortgage:** a lien on the property that secures the Promise to repay a loan. A security agreement between the lender and the buyer in which the property is collateral for the loan. The mortgage gives the lender the right to collect payment on the loan and to foreclose if the loan obligations are not met.

**Mortgage Insurance:** a policy that protects lenders against some or most of the losses that can occur when a borrower defaults on a mortgage loan; mortgage insurance is required primarily for borrowers with a down payment of less than 20% of the home's purchase price. Insurance purchased by the buyer to protect the lender in the event of default. Typically purchased for loans with less than 20 percent down payment. The cost of mortgage insurance is usually added to the monthly payment. Mortgage insurance is maintained on conventional loans until the outstanding amount of the loan is less than 80 percent of the value of the house or for a set period of time (7 years is common). Mortgage insurance also is available through a government agency, such as the Federal Housing Administration (FHA) or through companies (Private Mortgage Insurance or PMI).

## GLOSSARY

**Mortgagee:** the lender in a mortgage agreement. Mortgagor - The borrower in a mortgage agreement.

**Mortgagor:** the borrower in a mortgage agreement

**Original Principal Balance:** the total principal owed on a mortgage prior to any payments being made.

**PITI: Principal, Interest, Taxes, and Insurance:** the four elements of a monthly mortgage payment; payments of principal and interest go directly towards repaying the loan while the portion that covers taxes and insurance (homeowner's and mortgage, if applicable) goes into an escrow account to cover the fees when they are due.

**Points:** a point is equal to one percent of the principal amount of your mortgage. For example, if you get a mortgage for \$95,000, one point means you pay \$950 to the lender. Lenders frequently charge points in both fixed-rate and adjustable-rate mortgages in order to increase the yield on the mortgage and to cover loan closing costs. These points usually are collected at closing and may be paid by the borrower or the home seller, or may be split between them.

**Pre-Qualify:** a lender informally determines the maximum amount an individual is eligible to borrow. This is not a guarantee of a loan.

**Property Tax:** a tax charged by local government and used to fund municipal services such as schools, police, or street maintenance. The amount of property tax is determined locally by a formula, usually based on a percent per \$1,000 of assessed value of the property.

**Purchase Offer:** A detailed, written document that makes an offer to purchase a property, and that may be amended several times in the process of negotiations. When signed by all parties involved in the sale, the purchase offer becomes a legally binding contract, sometimes called the Sales Contract.

**Walk Through:** the final inspection of a property being sold by the buyer to confirm that any contingencies specified in the purchase agreement such as repairs have been completed, fixture and non-fixture property is in place and confirm the electrical, mechanical, and plumbing systems are in working order.

## **Program Definitions for Further Understanding**

### **Fair Housing**

The Fair Housing Act of 1968 prohibits discrimination in housing because of race, color, national origin, religion, sex, familial status (including children under the age of 18 living with parents or legal custodians, pregnant women and people securing custody of children under 18), and handicap (disability).

### **Foreclosure**

The legal means that your lender can use to repossess (take over) your home

### **Income**

The amount of money or its equivalent received during a period of time in exchange for labor or services, from the sale of goods or property, or as profit from financial investments.

### **Lead-Based Paint**

Paint, varnish, shellac, or other coating on surfaces that contain 1.0 mg/cm<sup>2</sup> or more of lead or 0.5 percent or more lead by weight.

All units built before 1978 using HOME or other federal funds must comply with the regulation implementing Title X of the 1992 Housing and Community Development Act (24 CFR Part 35). This regulation has been in effect since September 15, 2000.

### **Low and Moderate Income (LMI)**

Based on 80% of the areas' median income with adjustments for household size.

### **Lender Pre-Qualify/ Pre-Approval Letter**

A lender informally determines the maximum amount an individual is eligible to borrow. This is not a guarantee of a loan.

### **RCHAP**

Richland County Homeownership Assistance Program.

### **Subordination**

Richland County will not take a subordinate position, other than to the primary lending institution, to any other mortgage loan lenders, such as a refinancing lender.

### **Unincorporated Areas**

Areas of Richland County that does NOT include the City of Columbia, Eastover, Forest Acres, Irmo, Blythewood, and Arcadia Lakes.



## **Equal Opportunity Requirements**

Richland County is required to administer all grant-funded activities in compliance with all civil rights laws and regulations. The following summaries are those parts of the civil rights laws and regulations applicable to HOME grant funded activities.

Title VII of Civil Rights Act of 1964 provides that no person in the United States shall on the grounds of race, sex, religion, color, familial status, disability, or national origin, be excluded from participation in, be denied benefits of, or be subjected to discrimination under any program or activity receiving financial assistance.

Title VIII Civil Rights Act of 1968 as amended prohibits discrimination in housing on the basis of race, color, religion, sex, familial status, disability, or national origin. This law also mandates affirmatively further fair housing.

Section 109, Housing and Community Development Act of 1974 provides that no person in the United States shall, on the grounds of race, color, national origin, familial status, disability, or sex shall be excluded from participation in, be denied benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with funds made available under the Title I of the Housing and Community Development Act of 1974.

Section 3 of the Housing and Urban Development Act of 1968, as needed, provides that, to the greatest extent feasible, opportunities for training and employment shall be given to lower income residents of the unit of local government or the metropolitan area (or non-metropolitan county), as determined by the Secretary in which the project is located; contracts for work in connection with such projects shall be awarded to business concerns which are located in or which are owned in substantial part by persons residing in the same metropolitan area (or non-metropolitan county) as the project receiving federal financial assistance.

Section 504 of the Rehabilitation Act of 1973, as amended, provides that no otherwise qualified handicapped individual in the United States shall, solely by reason of his/her handicap, be excluded from the participation in, be denied the benefits of, or subjected to discrimination under any program or activity receiving federal financial assistance.

Executive Order 11063, as amended, provides that no persons in the United States, because of race, color, creed, sex, familial status, disability or national origin shall be denied equal opportunity in housing and related facilities provided with federal financial assistance, and that all federal executive departments and agencies shall take action to promote the abandonment of discriminatory practices with regard to residential property and related facilities provided with federal financial assistance.

Executive Order 11246 as amended, provides that no person shall be discriminated against on the basis of race, color, religion, sex, familial status, disability, or national origin in any phase of employment during the performance of federal or federally-assisted construction contracts in excess of \$10,000.

Equal Employment Opportunity Provision of the Grant Agreement. Richland County shall not discriminate against any employee or applicant for employment because of race, color, religion, sex, familial status, disabilities, or national origin. The grantee is also required to take affirmative action to ensure that applicants for employment that are employed and employees are treated during employment without regard to their race, color, religion, sex, or national origin. This provision must be incorporated in all contracts subject to Executive Order 11246.

OMB Circular A-102, Attachment O, Paragraph 9a, provides that the grantee shall take affirmative steps to assure that small and minority owned businesses are utilized when possible as sources of supplies, equipment, construction, and services. Paragraph 9(b) requires that the grantee take similar appropriate affirmative action in support of women business enterprise.

**For questions, comments, concerns, and/or suggestions regarding the Richland County Homeownership Program (RCHAP), please contact:**

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