

# Wyoming Rehabilitation and Acquisition Program



NSP Eligible counties include: Campbell, Fremont, Laramie, Natrona, Sweetwater, and Uinta

Properties may not be available in all counties at any one time. The availability of WRAP participating properties and their specific locations will be posted on the WCDA website at [www.wyomingcda.com/opportunity](http://www.wyomingcda.com/opportunity).

The Wyoming Rehabilitation and Acquisition Program (WRAP) is funded federally under the Housing and Economic Recovery Act of 2008, more commonly known as the Neighborhood Stabilization Program (NSP). The NSP program is considered to be Community Development Block Grant (CDBG) funds and as such is subject to the same federal requirements related to fair housing, nondiscrimination, labor standards, and the environment (including lead-based paint). The national objective of the NSP funds is to address the problem of abandoned and foreclosed homes.

The purpose of the WRAP program is to purchase foreclosed properties, rehabilitate the properties, and then sell the properties to qualified, income eligible households. The WRAP program will utilize existing housing stock which will be brought up to pre-defined housing quality standards. Housing that is determined to be unsafe and blighted and exceeds cost reasonableness to bring the property up to habitable standards may be demolished and a new housing unit constructed in its place.

## Minimum Applicant Selection Criteria

Preference will be given to households whose annual gross income does not exceed 50% of the Area Median Income (AMI) as determined by HUD (please see Table 1). Households at 51% to 80% of AMI (please see Table 2) will only be allowed to participate in the program on a property by property basis and the announcement of an available 51% to 80% AMI property will be made in the community in order to solicit applications for that property. Applications will be accepted at any time from households at 51% to 80% of AMI; however, the applications will not be processed to determine eligibility unless one or more of the following criteria are met:

1. There are no households at or below 50% of AMI interested in the specific property.
2. The households at or below 50% of AMI who are interested in the specific property cannot meet minimum underwriting standards.
3. The property is considered accessible and households who need the accessible features with a household income up to 80% of AMI are eligible to participate in the drawing. In the case of an accessible property preference will not be given to 50% or less AMI household.



4. The property after rehabilitation exceeds an affordable amount for a 50% or less AMI household. Keep in mind that while the mortgage may be written to an affordable level the cost of the taxes and insurance and general property maintenance on a more expensive home will be higher and may not be considered affordable for a 50% or less AMI household.

**Low Income - 50% of HUD's Area Median Income as of March 2009****Table 1**

COUNTY	HOUSEHOLD SIZE							
	1	2	3	4	5	6	7	8
Campbell	\$27,400	\$31,300	\$35,250	\$39,150	\$42,300	\$45,400	\$48,550	\$51,700
Fremont	\$22,250	\$25,450	\$28,600	\$31,800	\$34,350	\$36,900	\$39,450	\$42,000
Laramie	\$22,300	\$25,500	\$28,650	\$31,850	\$34,400	\$36,950	\$39,500	\$42,050
Natrona	\$22,500	\$25,700	\$28,950	\$32,150	\$34,700	\$37,300	\$39,850	\$42,450
Sweetwater	\$26,600	\$30,400	\$34,200	\$38,000	\$41,050	\$44,100	\$47,100	\$50,150
Uinta	\$24,250	\$27,700	\$31,200	\$34,650	\$37,400	\$40,200	\$42,950	\$45,750

**Moderate Income - 80% of HUD's Area Median Income as of March 2009****Table 2**

COUNTY	HOUSEHOLD SIZE							
	1	2	3	4	5	6	7	8
Campbell	\$43,850	\$50,100	\$56,400	\$62,650	\$67,650	\$72,650	\$77,700	\$82,700
Fremont	\$35,650	\$40,700	\$45,800	\$50,900	\$54,950	\$59,050	\$63,100	\$67,200
Laramie	\$35,650	\$40,750	\$45,850	\$50,950	\$55,050	\$59,100	\$63,200	\$67,250
Natrona	\$36,000	\$41,150	\$46,300	\$51,450	\$55,550	\$59,700	\$63,800	\$67,900
Sweetwater	\$42,550	\$48,650	\$54,700	\$60,800	\$65,650	\$70,550	\$75,400	\$80,250
Uinta	\$38,800	\$44,350	\$49,900	\$55,450	\$59,900	\$64,300	\$68,750	\$73,200

**Basic applicant eligibility requirements include:**

1. The applicant must be a Wyoming resident.
2. The applicant must be at least eighteen (18) years of age.
3. The applicant must be a United States citizen or a resident alien.
4. The applicant must meet specific income and credit requirements.
5. The applicant must pay a \$20.00 application fee.
6. The applicant must be a first-time homebuyer (cannot have owned a home within the last three years).
7. The property must be the applicant's primary residence for the term of the loan.
8. The applicant must have a steady income stream.

9. The applicant must have a credit record that demonstrates they are financially responsible. The applicant must have a minimum 575 FICO score and meet FHA credit underwriting standards.
10. The applicant must be able to contribute a minimum of 25% of their gross income towards the principal, interest, taxes, and insurance payment, a maximum housing debt to income ratio of 31%, and not exceed a total debt to income ratio of 43%. A minimum gross income of \$1,135 per month is required ( $\$6.55 \times 40 \times 52 / 12$ ).
11. The applicant's total assets cannot exceed \$50,000.
12. The applicant must be able to make a down payment at closing of \$500 or an amount equal to the first year's taxes and homeowners insurance, whichever is greater.

In addition to having to meet income and credit requirements the applications will also be reviewed and a determination will be made as to the appropriateness of the size of the property to prevent overcrowding or overhousing. The standards are as follows:

- A single or two person household is eligible to apply for a house with one (1) or two (2) bedrooms. A household must have three or more persons to apply for a three (3) + bedroom home.
- Families shall be housed with no more than two persons per bedroom.
- Exceptions may be made to the occupancy requirements for unusual circumstances. The applicant must submit a written request with their application and the decision will be made on a case by case basis.

Preference will be given to applicants who currently work or reside in the city, town, or county where the NSP assisted foreclosed property is located. WCDA employees, their immediate family, and/or members of the WCDA Board of Directors are not eligible to participate in the WRAP Program.

The applicant must attend and complete a HUD approved homebuyer education program prior to closing on an NSP assisted property. It is highly recommended and preferred that an applicant attend the homebuyer education class prior to being part of a property drawing. If an applicant who is successful in a property drawing cannot or chooses not to attend a homebuyer education class prior to closing on a property the applicant will forfeit all rights to the property and the property will be sold to an eligible buyer. The homebuyer education class is typically held once per month. The schedule for the upcoming classroom and information on the one-on-one counseling can be found at <http://www.whninc.org/buyereducation.php>. Please contact Wyoming Housing Network at 307-472-5843 to register for the class and the one-on-one counseling. You should register for the homebuyer education class as soon as possible.

**If you think you qualify and you would like to apply for the WRAP program:**

You can fill out an application form, pay a non-refundable \$20 fee, and return the application form to WCDA-WRAP, 155 North Beech Street, PO Box 634, Casper, WY 82602. Applications received without the application fee will not be processed. Application packets for the WRAP program will be made available at the WCDA office, via the internet, and by U.S. Postal Service, by request. WCDA will also market and provide outreach in the NSP eligible counties in order to solicit participation in the program from persons with household incomes at or below 50% of AMI. Households with incomes in excess of 50% AMI will not be eligible to participate in the drawing unless:

1. There are no households at or below 50% of AMI interested in the specific property.
2. The households at or below 50% of AMI who are interested in the specific property cannot meet minimum underwriting standards.
3. The property is considered accessible and therefore households up to 80% of AMI who require the accessibility features are eligible to participate in the drawing, however, preference will not be given to either income group.
4. The property following rehabilitation exceeds an affordable amount for a 50% or less AMI household. Keep in mind that while the mortgage may be written to an affordable level the cost of the taxes and insurance and general property maintenance on a more expensive home will be higher and may not be considered affordable for a 50% or less AMI household.

Households at 51% to 80% of AMI will only be allowed to participate in the program on a property by property basis and the announcement of a 51% to 80% AMI property will be made in the community in order to solicit applications for that property. Applications will be accepted at any time from households at 51% to 80% of AMI, however, the applications will not be processed to determine eligibility unless one or more of the above-reference criteria are met.

The application packet will contain an initial application, the WRAP program description, applicant responsibilities if awarded a property, and a listing of properties (if available). The applicant must return the completed initial application along with all required documents and \$20.00 fee at least two weeks prior to any property drawing to be eligible for that drawing. All initial applications will be reviewed by WCDA staff to determine if the applicant meets the basic eligibility requirements of the WRAP program. Applicants may be referred for credit counseling to assist them in repairing credit in order to be "mortgage ready". The initial review will include verification of data relating to income, employment, financial/banking/investment information, rental history, and credit report. If an applicant is not eligible they will receive notification in writing that they do not qualify for the WRAP program and what, if anything, they could do to meet the eligibility requirements of the WRAP program. All applicants who meet the basic eligibility requirements will be contacted by telephone to discuss the program requirements and to make sure that the applicant understands the process and the requirements. If the applicant confirms that they are in fact interested in the program and agree to the conditions, their name will be entered into a drawing for the homes they have selected within their eligibility level.

Those who are successful in the drawing will be required to have a meeting with WCDA staff within one (1) week of the drawing to discuss the terms and to collect additional information in order to determine if the applicant meets the full underwriting criteria. FHA underwriting standards will be used. WCDA will originate all WRAP program loans. The loan underwriting must take place within 4 weeks of the drawing date and the applicant must be approved before they are officially awarded a home. If an applicant fails to meet the underwriting criteria or it is determined that they did not meet the basic eligibility requirements the property will be returned to the drawing pool or offered to the second place designee (if drawn). Applicants who were determined to be eligible but who were not selected during the initial drawing will be notified of future drawings, and if said drawing takes place more than six months from the date of the original application an update to the application must be made to verify current eligibility before the applicant may be entered in future drawings.

### **Notification of Open House and Three-Day Cooling Off Period**

Eligible applicants will be notified in advance of the open house dates and times on the properties for which they are eligible. They will also have a “three-day cooling off period” in which they can make the decision whether or not they wish to participate in the WRAP program drawing. The cooling off period also gives the applicants time to gauge their interest in a particular property therefore avoiding buyer’s remorse should they be selected to purchase the property.

### **Execution of the Property Drawing**

Properties will be distributed through a drawing system. Qualified applicants will be entered into a drawing on the properties for which they are eligible and that they have chosen. The size of the household, the income of the household, credit eligibility, debt ratios, cost of property taxes, future upkeep, and property insurance will all be taken into consideration when determining the eligibility criteria of the household. Applicants may be eligible for more than one property; however, they will only be able to take possession of one property. The drawing will be a public drawing held in the community that the properties are located and eligible households along with members of the general public are encouraged to attend.

After the drawing has been conducted and applicants selected for each property, a meeting will be scheduled to discuss what the applicant should expect and what they need to do in order to prepare for the closing.

1. They will be required to execute a 30 year loan for the property during which time they are expected to occupy the property as their primary residence. The residence may not be used as rental property at any time.
2. The amount of the loan will be discussed and possibly set if full underwriting has taken place. The terms of the deferred mortgage will be discussed as well as any additional restrictions placed upon the property. The first mortgage will be calculated

using the applicant's income and at least 25% of their gross income must be contributed towards the mortgage payment. The balance of the cost of the property will be taken as a deferred mortgage.

**Example** – The Smith family (dad, mom, and 2 children) live in Cheyenne and together they earn \$24,000 a year. The 50% AMI limit for a family of 4 in Laramie County is \$31,300 so the household is determined to be income eligible for the WRAP program. The household must contribute a minimum of 25% of their gross monthly income towards the principal, interest, taxes and insurance payment (PITI) each month. The maximum debt to income ratio for housing cannot exceed 31% so it is possible that the required monthly contribution would be higher than 25%. In this example the minimum monthly contribution required is \$500 ( $\$24,000 \times 25\% / 12$ ). It is estimated that approximately \$150 per month is required for taxes and insurance so the household would have at least \$350 per month to pay the principal and interest on a mortgage. If the total acquisition cost of the home was \$150,000, 30 year term, 1% interest rate, the principal and interest payment would be \$482.46. The family could not reasonably afford the PITI payment of \$632.46 ( $\$482.46 + \$150$ ) without assistance. Under the WRAP program, the mortgage on the property would include both an amortized loan amount (requiring a monthly payment) and a deferred loan amount (requiring repayment at the time of sale, transfer of title, or when the property ceases to be the primary residence of the family). In this example, it would be reasonable to structure the \$150,000 loan as \$110,000 amortized and \$40,000 deferred. A \$110,000 amortized loan for 30 years at a 1 % interest rate would require a monthly principal and interest payment of \$353.80. When you add the taxes and insurance payment of \$150 per month, the total payment for the household is estimated to be \$503.80 (a monthly savings of approximately \$128.66 and a PITI ratio of 25.2%).

3. The applicant will be made aware of their responsibilities as a homeowner such as utility payments, homeowners association fees, taxes, insurance and routine maintenance. The applicant will also be made aware of the rehabilitation work that was performed on the property and any warranties with third-party manufacturers (generally appliances) that may apply. However, all properties are being sold "as is". The applicant will be responsible for the property upon closing of the sale.
4. The applicant will be questioned regarding their participation in the WRAP program and whether or not they have any reservations about the program or the property.
5. The applicant will need to arrange for property hazard insurance with a deductible of \$500 (or less) for all perils including wind and hail.
6. The applicant is responsible for obtaining any and all inspections they would like performed on the property. The applicant is also responsible for the costs associated with the inspections.
7. Closing for the properties is expected to take place within 45 days from the date of the drawing.
8. WCDA will have the right of first refusal if and when the homebuyer chooses to sell the property.

### Mortgage Loan Financing Structure

1. The amount of the mortgage will be based on the applicant's income and their ability to qualify for a loan covering the cost of the purchase, rehabilitation and carrying costs. The difference between the actual cost of purchase, rehabilitation and carrying costs or appraised value, whichever is less, and the amount the borrower can qualify for will be recaptured as a deferred loan which will be part of the mortgage and will be recaptured upon sale of the property, transfer of title, or when the property ceases to be the primary residence of the mortgage holder. The deferred loan will be reduced by 1/30<sup>th</sup> for each full year the homeowner resides in the property.
2. A down payment is required for all properties. The applicant must contribute \$500 or an amount equal to the first year of hazard insurance and property taxes, whichever is greater.

Applicants will be required to contribute at least 25% of their gross monthly income towards the first mortgage payment. Their housing debt to income ratio cannot exceed 31% and their total debt to income ratio cannot exceed 43%. FHA credit underwriting standards will be used to underwrite the loan.

All loans will have a 30 year term. The interest rate of the loan is fixed and based upon household income.

Percentage of Area Median Income	Interest Rate
Up to 50%	1.00%
51% to 80%	3.00%
81% to 120%	5.00%

The monthly payments collected on the loans (program income) will be returned to the general NSP program and recycled for future use by any and all NSP eligible activities. All mortgages will be serviced by the WCDA. Again, WCDA will have the right of first refusal if and when the homebuyer chooses to sell the property.