

HFA: Wyoming Community Development Authority

Entry Name: WRAP Program

**Description:**

The Wyoming Community Development Authority (WCDA) is utilizing the federal Neighborhood Stabilization Program (NSP) funding allocation to create a homeownership program in four counties deemed eligible by HUD. The program is titled the Wyoming Rehabilitation & Acquisition Program (WRAP). The purpose of the WRAP program is to purchase foreclosed and abandoned single-family 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.

**Minimum Applicant Selection Criteria**

Until the 50% Area Median Income (AMI) set-aside is met (per federal guidelines, 25% of the total allocation must benefit households at or below 50% 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 then households up to 80% of AMI 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.

**Basic applicant eligibility requirements include:**

- The applicant must be a Wyoming resident and at least eighteen (18) years of age.
- The applicant must be a United States citizen or a resident alien.
- The applicant must be a first-time homebuyer (cannot have owned a home within the last three years).
- The property must be the applicant's primary residence for the term of the loan.
- The applicant must meet specific income and credit requirements.
- The applicant must pay a \$20.00 application fee and must have a steady income stream.
- Each applicant must have a credit record that demonstrates they are financially responsible. The applicant must have a minimum 620 FICO score and meet FHA credit underwriting standards.
- All household members' credit will be considered. All household members' anticipated income will be considered, this includes anyone who will be occupying the property, and any family members not living in the household.
- A minimum gross income of \$1,135 per month is required ( $\$6.55 \times 40 \times 52 / 12$ ).
- 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%.
- The Household's total assets cannot exceed \$50,000.
- No current judgments, collections or bankruptcy.
- The applicant must be able to make a down payment at closing of an amount equal to the first year's taxes and homeowners insurance estimated to be approximately \$2,500.00.

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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 over-housing. 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.

**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. No more than 50% of the purchase price will be deferred.
2. A down payment is required for all properties. The applicant must contribute an amount equal to the first year of hazard insurance and property taxes estimated to be approximately \$2,500.00.
3. 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.

**Innovative:** To our knowledge, only one other HFA has utilized the NSP funding to create a new, in-house single-family housing program, but not to the extent we have taken WRAP. We feel the WRAP program captures and embodies the intent of the NSP funds. Because of Wyoming's low population, lack of a cohesive housing non-profit network, and complete lack of large metropolitan areas, the NSP allocation could not simply be granted to a non-profit or group of non-profits who could then utilize or sub-grant the funds per HUD guidelines. Instead, the WCDA took it upon itself to create a new housing program that serves households at low and moderate income levels, therefore achieving our organizational mission in a unique, creative way.

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**Replicable:** Because the WRAP program was conceived of, created, and executed solely by the WCDA staff (with guidance by HUD), every aspect has been documented, so, the program can easily be replicated by following the program description and guidelines.

**Respond to an important state housing need:** Affordable homeownership is a perpetual need in Wyoming (and probably everywhere else). The WRAP Program addresses the need for affordable homeownership because it benefits a market that is slightly outside of conventional underwriting eligibility standards. It is an opportunity for lower-income households that do not qualify for other types of mortgage loans to become educated, long-term homeowners.

**Demonstrate measurable benefits to HFA targeted customers:** Homeownership for households that didn't think they would ever own their own home is a benefit that can't be measured except in the number of houses sold to eligible applicants. This is an ongoing program, but as of this writing, the WCDA has purchased 57 houses in the four eligible counties. Two of the homes have been sold to eligible applicants. Another eight houses will be sold by the end of August, while the remainder will be sold as soon as the rehabilitation work is complete. That's 57 formerly foreclosed and abandoned houses that have been or will be rehabilitated and will become homes for 57 Wyoming families that would not have been able to afford homeownership without the WRAP Program.

**Have a proven track record of success in the marketplace:** The WRAP program was made public in January 2010 and is still ongoing, so there has been very limited opportunities for establishing a "track record" per se, but, now that the program is in full swing, we are establishing a cohesive procedure and are receiving more applications than available houses, which was the primary benchmark for the program.

**Provide benefits that outweigh costs:**

1. The WRAP program helps eliminate abandoned houses that drag down property values in surrounding neighborhoods and places those houses back into service – both for eligible households to reside in and so that those homes begin generating property taxes again.
2. The WRAP program allows lower-income homebuyers who would potentially not qualify for mortgage financing to purchase their first home under terms that are based on their income.
3. Direct costs to WCDA are minimal because the NSP allocation is being utilized per HUD guidelines.

**Demonstrates effective use of resources:** The federal NSP allocation was intended to reduce the number of foreclosed and abandoned houses in the United States. The WCDA's WRAP Program utilizes the federal funds effectively for their intended purpose. Human resources are contained within a small team of senior management, Federal Programs Department staff (three staff members from the Fed Programs Dept.), and the Communications & PR Department.

**Effectively employ partnerships:** Partnerships are essential for the success of the WRAP Program. Partnerships in varying degrees have been formed with real estate buyers' agents, construction contractors, local Chambers of Commerce, faith-based organizations, housing authorities/non-profits, the Wyoming Department of Family Services, media outlets, drug and mold remediation services, property appraisers, and municipalities. We've also informed lenders and realtors that if they have a client that they cannot qualify for a mortgage loan, that the WRAP program may be a way for them to help the client instead of simply turning them away.

**Achieve strategic objectives:** The WRAP program has achieved the Obama Administration's objective of reducing the number of foreclosed and abandoned houses – and put lower-income households into the houses after rehabilitation. It has also achieved the objectives of WCDA in that the program focuses on first-time homebuyers/homeownership, which is the mission of the WCDA.