

4 – PROPERTY REQUIREMENTS



IN GENERAL

Only Single-Family Residences located in the state of Washington may be financed under the Program.

QUALIFYING SINGLE-FAMILY RESIDENCES

Single-family detached, attached, condos, PUD's and manufactured homes that do not violate the conditions in the Non-Qualifying Residences guidelines below and are acceptable to FHA, VA and Rural Development requirements and the approved Fannie Mae PMI provider, as applicable, are acceptable under the Program. Accessory Dwelling Units are accepted if not used for rental purposes with documentation in the file and if they are appraised as a 1 unit property.

NON-QUALIFYING RESIDENCES

Properties are not considered Single-Family Residences if they:

- Have an Accessory Dwelling Unit which is going to be used as a rental.
- Have excess land value. Qualifying land is the lesser of that necessary for basic livability or two acres.

Non-qualifying properties include duplexes, triplexes, recreational, seasonal or other types of vacation or non-permanent homes.

MANUFACTURED HOMES

The home must meet all underwriting guidelines established by FHA and USDA. Conventional or VA financing are **not** allowed with manufactured homes. All borrowers must have a minimum 660 credit score. Non-traditional credit reports are also not permitted. No borrower contribution required. Double-wide or larger only. Single-wide and leasehold are not eligible under the program. See Section 2 for details: <http://www.wshfc.org/sf/02termsandconditions.pdf>

ELIGIBLE LAND

The land on which the Single-Family Residence is located must be the lesser of the size required to maintain basic livability or two (2) acres. Local zoning requiring more than two acres supercedes the federal two-acre requirement. Homeowner Association requirements do not supercede the federal two-acre requirement.

ACQUISITION COSTS

Sales price and Acquisition Costs may be different. Acquisition Cost includes the total purchase price of the home plus any additional expenses assumed by the Borrower or others (i.e. Mortgage Lender, Realtor, etc.) which are not typical borrower costs or fees. Fees, or repairs paid for by the seller are not included in the Acquisition Cost. If any repairs are to be paid for by the Borrower or others (i.e. Mortgage Lender, Realtor, etc.) prior to closing or included in the settlement cost, those costs must be included in Acquisition Cost. Items of personal property sold by the seller to the Borrower at a cost which is higher than the market value are included in the Acquisition Cost.

Example: The buyer and seller agree to a purchase price on the contract. They also agree that the buyer will pay other fees normally charged to the seller (i.e., Realtor commission or property excise tax) or that the buyer will pay for a new roof or other repairs (whether required by the Mortgage Lender or not). In this example, the Acquisition Cost is the sum of the purchase price plus the additional costs assumed by the buyer basically for the benefit of the seller. The total cost of the commission or excise tax, and/or the roof is added to the purchase price to equal the Acquisition Cost.

The Acquisition Cost Certification (see Forms section) must be completed and included (unsigned) in the Pre-Closing Compliance Review loan file. The completed Acquisition Cost Certification must be executed by the Borrower(s) and the seller(s)/builder(s) of the Single-Family Residence at loan closing and must be included in the Post Closing Compliance Review loan file.

The total Acquisition Cost may not exceed the Program maximums for the county in which the property is located. (See the end of this Section for the maximum income limits by county.)

NEW CONSTRUCTION

The total cost of construction must be included in the Acquisition Cost as documented by the completed Acquisition Cost Certification. The total Acquisition Cost must not exceed the Acquisition Cost limit in effect at loan closing.

If the site has been owned by the Borrower(s) for at least two (2) years before the date on which construction of the Single-Family Residence begins, the site cost may be excluded from the Acquisition Cost. If the Borrower(s) own the land, the land may be used as down payment for construction, but should remain in the name of the Borrower(s).

BUSINESS USE OF HOME RESTRICTIONS

No more than 15% of the square footage of the home being purchased may be used in connection with a trade or business. With regard to all types of child care services, the Commission's guidelines dictate that the Borrower does not qualify if any one of the following criteria apply:

1. Income from child care is greater than 10% of the Borrower's Annualized Gross Household Income;
2. Child care is provided for more than one additional child outside of the provider's own children; or
3. The Borrower(s) is a licensed child care provider.

FOSTER CARE IN HOME

House Key Mortgage Loan applicants who provide foster care to children in their home and neither include foster care payments in their income nor take deductions for foster care costs under current tax laws are eligible for a House Key Mortgage Loan. Applicants who meet this definition must sign an Affidavit Regarding Foster Care Payments (15.6.3) as an acknowledgment of these requirements. Eligibility is determined by the signing of this affidavit.

Applicants who provide foster care services and receive payments that must be included in their income and/or take deductions for foster care costs under current tax laws may not be eligible for a House Key Mortgage Loan. Please call the Commission to discuss potential eligibility for the program on a case by case basis (See also Section 18, Appendix I).

APPRAISALS

Appraisals must be in compliance with FHA, VA, Fannie Mae, or USDA Rural Development guidelines. Appraisals must have interior and exterior inspections.

If the appraised value is less than the purchase price of the property, the Borrower(s) must provide written acknowledgment they have received a copy of the appraisal and are aware they are paying more than the current established value of the home. If the purchase price exceeds the appraised value by more than \$1,000, the Commission may require additional information (i.e., narrative from the underwriter noting the differential, that the negative impact to the Borrower has been appropriately addressed and that the transaction makes sense for the Borrower(s).

PROPERTY INSPECTIONS

All properties must have an inspection unless a 1 year home warranty is provided by the builder. The property must have a property inspection within the most recent 6 months.

The purpose of the inspection is to inform the Borrower of the existing condition of the property so they may properly budget for future possible upgrades and/or replacement of noted deficiencies.

The inspection must be completed by a licensed Washington State Home Inspector. Pest and appraiser inspections cannot be used in lieu of property inspections.

Inspections must cover the entire home and any attached or detached structures on the property which are given value by the appraiser. The inspection must itemize all areas inspected and the results of the review.

A paid receipt of the inspection or similar documentation referencing the property address, borrower(s) name and date of the inspection must be in the loan Pre-Closing Compliance file. A copy of the inspection for the file is not necessary. In addition, any inspection required by the appraiser must be included in the loan file.

MAXIMUM ACQUISITION COST

The maximum Acquisition Cost for a Single-Family Residence must not exceed the following amounts:

<u>COUNTY</u>	<u>NON-TARGETED</u>	<u>TARGETED</u>
<u>Clark County</u>	<u>\$330,000</u>	<u>\$360,000</u>
<u>Island County</u>	<u>\$300,000</u>	<u>\$360,000</u>
<u>Jefferson County</u>	<u>\$295,000</u>	<u>n/a</u>
<u>Pierce County</u> <u>Snohomish County</u>	<u>\$370,000</u>	<u>\$395,000</u>
<u>King County</u>	<u>\$450,000</u>	<u>\$475,000</u>
<u>San Juan County</u>	<u>\$440,000</u>	<u>n/a</u>
<u>Kitsap County</u>	<u>\$285,000</u>	<u>\$335,000</u>
<u>Whatcom County</u>	<u>\$285,000</u>	<u>\$335,000</u>
<u>Skagit County</u>	<u>\$285,000</u>	<u>n/a</u>
<u>All Other Counties</u>	<u>\$235,000</u>	<u>\$285,000</u>

PAGES THAT FOLLOW PROVIDE MAPS OF TARGETED AREAS

- “New” construction for purposes of applying the Acquisition Cost limit means residences completed no more than 24 months prior to closing which have never been previously occupied.

TARGETED AREAS

Targeted Area means the areas within the State which are set forth in the Program Manual as Qualified Census Tracts. A Qualified Census Tract is an area which at least 70% of the population of Washington makes 80% of the areas' median or an area of "chronic economic distress" as designated and approved in accordance with the Internal Revenue Code of 1986. The Code requires that the Commission make a portion of the funds available to finance Single-Family Residences in the Targeted Areas for a period of at least one year. Those counties which contain Targeted Areas are shown below:

COUNTY	CENSUS TRACTS
ASOTIN	9603.00
BENTON	112.00, 113.00
CLALLAM	9400
CLARK	410.05, 411.11, 416.00, 417.00, 427.00
COWLITZ	3.00, 5.02, 10.00, 21.00
FRANKLIN	201.00, 202.00, 204
GRANT	106.00, 108.00, 114.02
GRAYS HARBOR	10.00, 12.00
ISLAND	9702.00
KING	43.02, 53.01, 85.00, 91.00, 92.00, 110.01, 290.04, 292.06, 307.00 Partial Areas: 72.00, 77.00, 81.00, 88.00, 89.00, 95.00, 100.00, 101.00, 109.00, 111.00, 117.00, 118.00
KITSAP	808.00, 903.00
LEWIS	9707.00
MASON	9400.00
OKANOGAN	9703.00
PIERCE	614.00, 717.03, 717.04, 718.06, 718.07, 720.00, 729.05, 729.06, 729.07, 734.05, 9400.06
SNOHOMISH	402.00, 514.00
SPOKANE	2.00, 4.00, 14.00, 15.00, 16.00, 18.00, 20.00, 23.00, 26.00, 30.00, 117.02, 118.00, 125.00, 145.00
STEVENS	9410.00, 9507.00
THURSTON	105.10
WALLA WALLA	9205.00
WHATCOM	6.00
WHITMAN	5.00, 6.00
YAKIMA	1.00, 2.00, 6.00, 7.00, 12.01, 12.02, 13.00, 14.00, 15.01, 15.02, 19.01, 19.02, 20.01, 9400.02, 9400.04, 9400.05, 9400.06

To access census tract information for a particular property go to <http://www.FFIEC.gov> and click on FFIEC Geocoding System.