

SUMMARY POLICIES on the INCOME VERIFICATION PROCESS

Affordable Housing Ownership Program

The following policies have been developed by the Denver Office of Economic Development (OED) to identify and eliminate any potential fraud during the income verification process for applicants seeking to purchase an affordable unit, and to ensure that only low- and moderate-income individuals and households are receiving the program benefits of owning an affordable unit. The following policies are summarized:

- **Applications for income verification reviewed by priority status**
- **Limit on applications from buyers of an existing affordable units as well as new construction units**
- **Timing on applications when information is incomplete**
- **Asset limits on households seeking to purchase an affordable unit**
- **Gift fund limits and documentation**
- **Lender pre-approval**
- **Sole and primary residence requirement**

■ Applications for income verification reviewed by priority status

Due to the high volume of applications that OED receives and the sensitive timing of purchasing properties, the following priorities have been established for processing applications:

First Priority: Existing Affordable Unit – Income verifications submitted for the purchase of an existing affordable unit. A specific, verified existing affordable unit address must be provided by the applicant in the application.

Second Priority: New Construction – Income verifications submitted for the purchase of a new construction, including the pre-sale of a unit to be constructed in the future. A verified project name must be provided by the applicant in the application.

Third Priority: General Inquiry/Unspecified: Income verifications submitted for the general approval to purchase a non-specified affordable unit, i.e., no specific affordable project and/or address has been selected or provided by the applicant.

■ Limit on applications from buyers of an existing affordable units as well as new construction units

For each existing affordable unit that is for sale, the seller may provide the names of no more than two applicants for income verification review.

The first applicant must be under contract to purchase the specific unit, with a copy for the contract provided to OED. This applicant will be given priority over the back-up applicant.

A back-up applicant may be provided given that the closing has not occurred. A secondary application can be considered for income verification review.

When new construction units are being offered for sale, the developer/seller should provide to OED:

- The total number of affordable units being constructed;
- The address of each affordable unit; and
- The name of up to two applicants per unit for income verification.

The same process as outlined above for the two applicants of an existing unit will be followed for the applicants of a new construction unit.

All applicants seeking income verification to purchase must provide a signed copy of the purchase contract and/or a letter from a lender stating that the applicant is qualified for a loan up to the maximum allowed sales price of the unit, i.e., a loan pre-approval. See below under "Lender Pre-Approval."

■ **Timing on applications when information is incomplete**

No application can be approved until all required information is in place. If an application is deemed incomplete after an initial review, OED will contact the applicant and request that missing or incomplete information be provided. If this information is not received within 60 days of OED's contact and request, the file shall be withdrawn from consideration, it shall be ineligible for review, and the electronic application as well as physical application will be destroyed. If the applicant wishes to be income-verified in the future, a new application is required.

■ **Asset limits on households seeking to purchase an affordable unit**

Households interesting in purchasing Denver affordable housing may not hold assets greater than one and a half (1.5) times the amount of the sales price for an 80% AMI unit, adjusted for bedroom size, or a 95% AMI unit, adjusted for bedroom size depending on build designation (i.e., standard build vs. high-cost structure).

Assets may include, but are not limited to, the following:

- Amounts in savings and checking accounts.
- Stocks, bonds, savings certificates, money market funds and other investment accounts.
- The cash value of trusts that may be withdrawn by the family.
- Individual retirement accounts (IRA), or Keogh and similar retirement savings accounts, even if withdrawal would result in a penalty.
- Lump sum receipts such as inheritances, capital gains, lottery winnings, insurance settlements, and other claims.
- Trusts.

OED recognizes certain circumstances in which future earning potential may be limited; the following exemptions may be considered:

Retired: Applicants must be at least 60 years old and provide a copy of a current Social Security Award letter and any other retirement award letters.

Permanently disabled: Applicants must provide a copy of a current Social Security Disability Award letter. If any settlements or court award was awarded regarding this disability, a copy of the Court Order or Settlement must also be provided.

Any asset funds being used to purchase the affordable unit (i.e., down payment) will be excluded from the asset calculation if sufficient documentation is provided and approved by OED.

If assets fall below the program limit, interest and dividends (including reinvested dividends) earned or the existing HUD passbook rate, whichever is higher, will apply to income calculations.

■ **Gift fund limits and documentation**

When an applicant is applying for income verification to purchase an affordable unit, any gift funds received are restricted to 20% of the purchase price. Such gift funds must be solely used for the purchase of the unit (i.e., down payment) and must be documented with a gift letter that includes:

- Who is receiving the gift funds.
- The name and relationship of the person giving the gift funds.
- The exact dollar amount of the gift funds.
- A statement that no repayment is required.
- A statement that the gift funds will be used solely for the purchase of a Denver affordable unit.

The gift funds must be received by the applicant(s) prior to the closing on the affordable unit and must be documented as follows:

- A copy of the applicant's bank statement showing the deposit OR
- A copy of the certified check OR
- A copy of the cashier's check, money order, official check, or other type of bank check OR
- Documentation of the wire transfer into the applicant's account.

■ Lender pre-approval

Income-eligible households must secure financing through a legally recognized lending institution that is authorized to conduct business in Colorado, or a governmental agency, or a combination thereof. The lender must be approved by the FHA, CHFA, or Fannie Mae.

The applicant's pre-approval letter from the lender must be submitted with the income verification application. The pre-approval letter must include:

- Name of the lending institution.
- Name of individual(s) seeking the loan.
- The pre-approved amount of the loan.
- The address of the property, if available.
- The Fannie Mae desktop underwriter findings (i.e., either approved or eligible) OR the Freddie Mac loan prospector findings (i.e., accepted) OR any other underwriting findings deemed acceptable by OED.

■ Sole and primary residence requirement

The owners of Denver affordable properties are required to occupy the affordable home as their primary residence.

If the applicant(s) already own a property at the time of the application to purchase an affordable unit, it is considered an available asset, a potential revenue stream, and/or a home to live in. The applicant(s) must provide information on this property to OED and then subsequent proof of its sale prior to the closing on the affordable unit. An applicant may not own one or more home(s) at the time of the closing on the affordable unit.

All inquiries regarding these policies should be directed to OED. You may email affordablehousing@denvergov.org or use the phone lines listed below.

To reach the best resource at OED to address your needs:

Real estate professionals: 720-913-1634

Current owners of affordable units: 720-913-1711

Prospective buyers of affordable units: 720-913-1634

Developers and builders: 720-913-1711

**Inquiries about the Metro Mortgage Assistance Plus or
Mortgage Credit Certificate programs: 720-913-1532**