

Neighborhood Stabilization Program Income Verification and Documentation Policy for the Purchase of Property Rehabilitated by the City of Saint Paul Housing and Redevelopment Authority

The purpose of this policy is to ensure potential buyers of NSP homes and persons seeking Homebuyer Assistance Incentive Program funds from NSP are at or below the program-required 120% AMI level. This policy is not intended to qualify a buyer or assess the buyer's ability to repay a debt. For the purposes of expending federal dollars associated with the NSP1, NSP2 and NSP3 grants, the City of Saint Paul will employ the processes and procedures described herein.

Rules for Income Verification

In accordance with HUD guidance provided in the [Guide to Completing NSP Income Certifications](#), Saint Paul will determine income of potential NSP households using the [24 CFR Part 5](#) annual income (Section 8) method. This approach is one of three permitted methods that grantees may use. The other two are a verifiable self-certification by the applicant and an adjusted gross income determination using the most recent IRS 1040. The same three methods are also used to determine income under the HOME program. It is the opinion of staff that the selected method will result in the most accurate determination of household income.

Guidance regarding how to use the 24 CFR Part 5 method is contained in the [Technical Guide for Determining Income and Allowances for the HOME Program](#), Third Edition, dated January 2005. The guide directs Participating Jurisdictions (PJs) to select one of the three aforementioned methods and use it for all like activity (e.g. for all rehabilitation for home ownership property sales). Household income will be calculated using the NSP Income Calculation Worksheet provided in the Guide to Completing NSP Income Certifications and adapted by staff to capture additional required information regarding household members and alternative earned income sources such as dividends, alimony, welfare, unemployment, etc. 24 CFR Part 5 and NSP require that income is projected and considered for a 12 month period.

Steps to Document Income in Compliance with the Verification Rules

HOME guidance suggests that documentation provided by the applicant, such as pay stubs and tax returns, may be the most appropriate second only to third-party verification. In addition, the Technical Guide for Determining Income and Allowances for the HOME program states the following:

PJs may develop their own verification procedures provided that they collect source documentation and that this documentation is sufficient for HUD to monitor program compliance. (Chapter 2, p.5)

There are no specific requirements, or even guidance, regarding the exact type of income documentation or the duration for which the documentation shall cover in any NSP, HOME or 24 CFR Part 5 references.

Accordingly, Saint Paul has determined that its policy relative to income documentation will be as stated in the Income and Asset Verification table below. In the Income and Asset Verification table below the City will consider the documentation submitted to the lender for its use in qualifying and underwriting the primary loan. If additional documentation is

required to substantiate the buyer's income, it will be requested by city staff. Saint Paul will document the project file with any and all income verification documents obtained by the applicant's lender.

Additional Income (other than wages/salaries) and Asset Documentation

If sources of income, including income from assets, are identified on the NSP Income Calculation Worksheet and the associated documentation has not been supplied, city staff will request appropriate documentation to substantiate the claimed income/asset. In addition, **income and asset information and documentation will be required for any non-borrowing household member.**

Annual income and income from assets will be calculated in accordance with 24 CFR Part 5. The passbook rate for calculating imputed asset income (when assets total more than \$5,000) is 2%.

Documentation required for verification purposes for Saint Paul Homebuyer Assistance Incentive Program

Income and asset information will need to be verified to determine eligibility for the Saint Paul Homebuyer Assistance Incentive Program. The following table sets forth acceptable verifications. The verification provided must be exactly as listed in order to prevent delays in the determination of eligibility. *This information can be furnished by either the applicant or lender.*

INCOME AND ASSET VERIFICATION			
Item needed for each source of	Acceptable form(s) of Verification	Received from:	
		Applicant	Lender
INCOME			
Employment (wages/salaries)	Most recent check stubs (<u>six</u> consecutive), <u>or</u> letter from employer (can be written to you), <u>or</u> termination letter (if you are no longer employed), <u>and</u> copy of the verification(s) of employment from the mortgage lender (where available). Copy of <u>one</u> year of signed federal tax returns with <u>all</u> required schedules.		
Self-Employment (wages/salaries)	Copy of <u>three</u> years, signed federal tax returns with <u>all</u> required schedules. If it has been more than six months since, the filing of the last return you must also include year-to-date information for the self-employment. If less than three years, turn in as many as available.		
Social Security, SSI, RSDI, SSDI	Annual Statement (letter) from the Social Security Administration (SSA) <u>or</u> a printout (request to have it sent to you) from the appropriate Social Security Administration office.		
Economic Assistance (MFIP, MSA, GA, other)	Printout (request to have it sent to you) <u>or</u> monthly statement from the county economic assistance department.		

Item needed for each source of	Acceptable form(s) of Verification	Received from:	
		Applicant	Lender
INCOME (continued)			
Child support and alimony	Copy of the current support decree and copies of at least four payments or an original signed letter from the payor (we can provide a form or be sure the letter includes the payor's current address and phone number) or a printout (request to have it sent to you) of child support or alimony from the collecting agency.		
Zero income	If any household member age 18 or older has zero income, contact staff for the required documentation.		
ASSETS			
Checking Accounts, Savings Accounts, Stocks, Bonds, 401(k), Certificates of Deposits, etc.	Complete copy (all pages) of the most recent account statement or a printout from your financial institution for each account that indicates: the institution, type of account, current balance (value of asset) and interest rate. For CHECKING ACCOUNTS provide complete copies (all pages) of the last two monthly statements or the printout showing the balance for the last two months and/or a copy of the verification of deposit(s) received by the mortgage lender.		
Savings Bonds	Copy of all the Savings Bonds held by any household member.		
Property owned	Copy of the most recent county tax statement (showing at least the value and taxes paid) and a copy of the most recent mortgage statement(s) (if any) that show the outstanding balances owed on the property. In addition , if the property is being sold under a contract for deed or rented, provide a copy of the contact or the current lease.		
OTHER			
Social Security number verification	All household members over the age of 18 will be required to sign a W-9 form at the time of closing certifying that the social security number presented is valid and belongs to them.		