



South Carolina
STATE HOUSING
Finance and Development Authority

Memorandum

Date: April 10, 2008

To: All Housing Trust Fund Participants

From: Matt Rivers 

Subject: Housing Trust Fund Program and Website Changes

Please accept my gratitude for your continued support of the Housing Trust Fund. With your help, the Housing Trust Fund has awarded almost **\$60 million in just the last three years** to further the development and preservation of affordable housing for the citizens of South Carolina. None of this could be accomplished without the cooperation of the Trust Fund staff and Authority staff, you and your organizations, and our Board of Commissioners. It is this spirit of cooperation and teamwork, along with shared goals and ideals, that will make the Housing Trust Fund successful for years to come.

As the demand for Housing Trust Fund (HTF) monies continues to grow, the slow down in real estate sales activity across the State has reduced income to the Fund. These circumstances have resulted in the need to create a “competitive” or “priority” funding system to award HTF monies during award cycles where requests outstrip available funds.

In order to create as equitable a system as possible, HTF staff convened a meeting with the Trust Fund Advisory Committee and a group of participating non-profit housing providers to discuss possible solutions. The focus group was chosen carefully to insure that different geographical areas, beneficiary groups, and development types were fairly represented.

Priority Funding

The result of the meeting was a system of “priority filters” that determines which projects would have priority for funding. The priorities agreed upon are as follows:

First Priority

Owner-Occupied Rehabilitation/Emergency Repair

Filtered/Prioritized by:

- Geography/Need
- Participant/Performance
- Leveraging

Second Priority

Supportive Housing

Filtered/Prioritized by:

- Leveraging/Financial
- Participant/Performance
- Geography/Need

Third Priority

Rental

Filtered/Prioritized by:

- Leveraging/Financial
- Participant/Performance
- Geography/Need

Fourth Priority

Homeownership

Filtered/Prioritized by:

- Participant/Performance
- Geography/Need

Using this system, applications would be reviewed first by Activity, and then within the Activity. As part of the review, HTF staff may reduce the amount requested under Block Grant applications (Owner-Occupied Rehabilitation & Homeownership Acquisition) in order to fund as many organizations as possible, while ensuring that monies will be used quickly.

This system has been approved by our Board of Commissioners and is in **effect immediately as necessitated by application volume and funds available.**

Program Changes

In addition to the priority funding process, HTF staff and the focus group also discussed other programmatic changes and arrived at the following changes or clarifications. These changes have been approved by our Board of Commissioners and are **effective immediately, unless otherwise noted.**

- No organization may have more than five (5) open Emergency Repair (ER) applications at any time. All ER awards must be completed in six (6) months or less.
- Participants are limited to five (5) open projects, plus the maximum of five (5) ER's. (NOTE – For this purpose, a Block Grant is considered one (1) project.) Related Parties, as defined below, are presumed to be sufficiently related for them to be treated as a single applicant for the purposes of the maximum. A significant factor in the Authority's evaluation will be whether, based on the facts and circumstances, the primary purpose of the party's involvement in a project appears to be avoidance of the maximum.
 - For this purpose a Related Party relationship exists when one or more of the officers, directors, stockholders, members, or employees of a Sponsor or Owner is also an officer, director, stockholder, member, or employee of another Sponsor or Owner, or where two or more Sponsors or Owners share expenses, income and/or office space.
- Any Participant who has requested and received an extension on any open project is ineligible to submit any new HTF requests for award until the extended project is 100% complete and closed.
- If a Sponsor is partnering with another Sponsor in order for the "new" Sponsor to meet the experience requirements for participation in the HTF, a copy of a written agreement between the organizations must be provided. The agreement must outline the roles and responsibilities of each organization and must be enforceable. Such agreements are subject to review by HTF staff before the "new" Sponsor is eligible to participate in the HTF.
- If an Owner-Occupied Rehabilitation request is received on a property that received ER funding within the last two years, the Developer's Fee will be reduced by the amount of Developer's Fee paid on the ER.
- Beneficiary(s) must own and reside in a home for a minimum of two (2) years before an ER or Rehab can be applied for.
- Beneficiaries receiving funding under the HTF Homeownership activity are ineligible to receive ER or Rehabilitation funding for the first 10 years of ownership. After that, the maximum benefit will be the current Rehab limit minus the funds already awarded under Homeownership.
- All beneficiaries under the Homeownership activity **MUST** be receiving first mortgage funds either from a lender approved under the Authority's MRB program, RHS, or a Habitat for Humanity affiliate. In **NO** case can the interest rate be more than 1.50% higher than the current MRB program rate. **Effective for Beneficiary Requests received after May 31, 2008.**

- All beneficiaries in the Homeownership activity must be first-time homebuyers. **Effective for Beneficiary Requests received after May 31, 2008.**
- The Developer's Fee for the Homeownership activity will be \$200. Sponsors will be eligible to receive a higher Developer's Fee (up to 15% of the subsidy or \$1,500.00, whichever is less) per beneficiary request provided that both of the following conditions are met:
 - The Sponsor is, or has contracted with, either a HUD-approved counselor, a NeighborWorks counselor, or an AHECI-approved counselor to provide homeownership counseling to the beneficiary(s).
 - The beneficiary(s) received at least 20 hours of **face-to-face** counseling, either one-on-one or in a classroom setting, with the approved counselor, as certified to by the Sponsor and beneficiary(s). Other time, such as online instruction and time spent by the beneficiary(s) studying at home, do NOT count towards the 20 hour requirement.

Effective for Beneficiary Requests received after May 31, 2008.

In addition to the changes listed above, recent inquiries have also brought about a clarification from our Legal Counsel regarding potential conflicts of interest. **The following policy clarification is effective immediately:**

For a project, or a beneficiary request within a Block Grant project, the Sponsor and/or any Related Parties may NOT provide any other fee-based service on a transaction where the Sponsor has received a Housing Trust Fund award. Failure to require or accept a fee for the service does not make the arrangement acceptable. For example, the Sponsor and/or Related Party may NOT act as real estate sales agent or broker, first mortgage originator, title service or closing agent, property appraiser, etc. Habitat for Humanity affiliates are granted an exemption to this policy for purposes of providing mortgage financing to their clients.

For the purposes of this policy, a Related Party relationship exists when one or more of the officers, directors, stockholders, members, or employees of a Sponsor is also an officer, director, stockholder, member, or employee of the fee-based service provider, or where the Sponsor and fee-based service provider share expenses, income and/or office space.

Website Updates

Given these changes, virtually all the HTF manuals, applications, beneficiary requests, and forms have been updated, with most being simplified even further. In addition, the forms used in each activity are now easier to find and access. **Please begin using the updated applications, beneficiary requests, and forms immediately. Discard any old forms you were holding in stock.**

You can access the HTF web here: <http://www.schousing.com/index.asp?n=48&p=5&s=48> or by going to www.schousing.com, choosing "Housing Partners" from the left side menu, and then "Housing Trust Fund" from the right side menu.

Thanks again for your support and cooperation. As always, please feel free to contact me or your Project Coordinator with any questions or comments. You can reach me by phone at (803) 896-8774, or via email at matt.rivers@schousing.com.