



United Way
of Frederick County



FREDERICK COUNTY GOVERNMENT

DIVISION OF CITIZENS SERVICES

Department of Housing & Community Development

United Way of Frederick County of Frederick County Prosperity Savings Homebuyer Program

Policies, Procedures and Plan Agreement

Last revised September 2023

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Each account holder must initial every section of this manual to acknowledge they have read and understand the policies and procedures associated with a United Way of Frederick County Prosperity Savings Account.

Mission & Vision

United Way of Frederick County mobilizes the caring power of our whole community to improve lives.

The vision of United Way of Frederick County's matched savings program is to make it possible for working individuals and families to build the financial assets they need to achieve their goals. The goal is to improve financial stability throughout Frederick County and enable families with modest means to become economically independent and to prevent poverty in the community in the future. United Way of Frederick County is not only investing in the economic independence of families; United Way of Frederick County is also investing in the future of Frederick County.

Description of the Program

United Way of Frederick County established the Prosperity Savings Account Program to help working individuals and families become homeowners. The Program offers participants incentive savings matches, personal finance and money management education, peer and staff support, and individual counseling to make asset ownership obtainable. Program objectives include helping participants:

- Set realistic short and long term personal, financial, and asset goals.
- Design strategies to achieve their personal, financial and asset goals.
- Acquire financial skills and knowledge to make informed financial decisions.
- Develop or improve fiscal self-discipline, self-awareness and patterns of regular saving.
- Improve self-confidence and assertiveness, particularly with financial/consumer matters.

Financial education is a key component to the success of the Prosperity savers. Prosperity savers are required to complete all six sessions of the Budget Coach program during the length of the program. This allows savers to better prepare themselves before purchasing a house.

A community bank will serve as a partner financial institution for the Prosperity Savings Account Program and a depository for Prosperity savers' savings, for the purpose of supporting the program.

Account Structure

- Each account will be a joint account with the saver and United Way of Frederick County. Neither the saver nor United Way of Frederick County will have independent, direct ownership/withdraw privileges. A community Bank will allow withdrawals from the account with both the saver and United Way of Frederick County's written consent.
- There is no limit to the number of qualified withdrawals, as long as the saver's deposits which qualify for a match do not exceed a grand total of \$3,000.
- Funds cannot be used for previous purchases, previous payments or debt of any kind.

Match Rate and Qualified Withdrawals

- Savers are required to save the maximum amount of \$3,000.
- Frederick County Government will match this amount with a **0% interest loan** of \$14,000 for a home purchase with **no payments due until the home is sold** by the program graduate.
- The total savings amount (from the saver and the matched funds) for a household for a home is \$17,000.
- An Emergency Foreclosure Prevention Fund of \$3,400 provided by United Way of Frederick County of Frederick County for the first 3 years from home purchase. These requirements must be met to access these funds:
 - Complete all 6 sessions of the Budget Coach Program
- Complete all 6 sessions of the Budget Coach Program to have access to the match funds.

In no case will matching funds be used for any form of debt or issued directly to savers; savers can only have their own deposited funds directly issued. Savers will be required to get signed approval from United Way of Frederick County in order to make a qualified withdrawal or to close the account.

The maximum that a saver can receive is \$17,000 for a home purchase.

Qualified Asset Purchases

- 1.) ***First-time Homeownership***: Funds can be used for qualified acquisition costs for the participant's first home. This includes the costs of acquiring or constructing a newly acquired residence and typical settlement, financing, or other closing costs. "First home" means that the saver has not owned a home for the past three years *prior to applying for a Prosperity Savings Account (PSA)*. Funds cannot be used for previous payments/purchases, mortgage loans, credit cards, or other types of debt.

Budget Coach Program: This is a 6-session program, which includes one or two 1-hour budget counseling sessions each month. All 6 sessions of the Budget Coach program are required to access the match funds. Verification of completion of 6 sessions of the program must be submitted.

First time Homebuyer Education: Savers must complete a first-time home buyer class. For the required homebuyer education go to this link:

<https://www.cityoffrederickmd.gov/FormCenter/FCAA-Forms-3/HOMEBUYERS-CLASS-UNIVERSAL-CLIENT-INTAKE-115>

Savers may also contact the Department of Housing and Human Services at 301-600-1506.

NOTE: The following only serves as a general guide to give you an idea on how to successfully qualify for a mortgage. Your mortgage lender will let you know how much of a loan you qualify for based on your income, debt, credit score etc.

1. Minimum Credit Score: 640

3.a. Front-end Debt to Income Ratio (also referred to as housing ratio): 28 percent or lower

$$\frac{\text{Expected Housing Expenses}}{\text{Monthly Gross Earnings}} = \text{Front-end DTI}$$

3.b. Back-end Debt to Income Ratio: 36 percent or lower

$$\frac{\text{Monthly Debt Expenses}}{\text{Monthly Gross Earnings}} = \text{Back-end DTI}$$

Lenders will also consider if any of the following apply to the saver. These are not necessarily qualifiers or disqualifiers, but will be taken into consideration to determine if the applicant is a good candidate for a mortgage loan:

- More than one “30-day late” on a credit report
- Bankruptcy or foreclosure discharged less than 36 months

- Outstanding judgements within the past 12 months
- Two or more rent payments 30 days late within the past 3 years
- Outstanding collection accounts with no payment arrangements
- Outstanding tax liens or delinquent federal debt with no payment arrangements
- Accounts converted to collections in the past 23 months
- If more or less than 20% will be used as a down payment on a house
- If there is a steady employment history, including at least two years with the same employer

Eligibility Guidelines

To be eligible for the Program, participants must:

- Be at least 18 years old.
- Be currently employed, earning income from full time, part-time or self-employment work.
- Meet earned income eligibility.

Program Requirements

Account savers must commit to the following:

- Save in the program for a minimum of 3 months and a maximum of 12 months.
- Complete all six sessions of the Budget Coach Program prior to receiving matched funds.
- Savers are required to enroll and complete all 6 sessions of the Budget Coach program.
- Register and attend a Credit Café workshop and provide a copy of their credit report from the workshop. Contact Lacy Ames at Lames@interfaithhousing.org to sign up for a Credit Café workshop.
- Provide an approved, accurate and complete annual household budget, which includes their savings goal prior to application approval.
- Any additional requirements as outlined in this policy manual or deemed necessary by program staff.
- Agree to abide by the program's rules and responsibilities as described by the program staff and in the written materials.
- The home must be purchased in Frederick County.

Household Earned Income (To determine program eligibility)

When determining eligibility, gross income is used. All applicants must document their income level and meet the following **household eligibility income** requirements to participate in the program:

In order to be Earned Income eligible, the applicant's household eligibility income must not exceed the income guidelines (ALICE survivability limit, based on the number of people in their

household – see description below). A household consists of anyone listed on the tax return. The most recent tax return will be used for verification.

Household Size	ALICE Survival Budget** Single-parent household Max Income	ALICE Survival Budget** Two parent household Max Income
1	\$47,268	-
2	\$69,018	\$61,260
3	\$90,768	\$83,010
4	\$112,518	\$104,760
5	\$134,268	\$126,510
6	\$156,018	\$148,260
7	\$177,768	\$170,010

*The above chart assumes that head of households are under 65 years old and that all children are 4-5 years old. To determine the exact maximum eligible income for your household add \$26,154 per child 0-3 years old, \$21,750 per child 4-5 years old and \$13,640 per child 6-17 years old to the starting budget for the number of heads of household relevant to you. If you have any questions, please contact Joyce Kwamena-Poh at jkwamenapoh@uwfrederick.org.

Household Eligibility Income includes:

- All Employment (Wages and Self-employment)

Household Eligibility Income does not include:

- Child Support
- Social Security Benefits
- Other Benefits (TANF, Food Stamps, etc.)
- Section 8 Assistance
- If an employee pays for disability insurance

Enrollment and participation in the Prosperity Savings Program should not affect any public assistance participants may be receiving. Please ask if you have any concerns.

_____ Household Earned Income (To determine employment funds for deposit)

Prosperity Account savings dollars must be derived from household *earned* income, which includes employment earnings and self-employment earnings (earned income is defined by the U.S. Internal Revenue Code of 1986).

Generally speaking, Household Earned Income (money received for services rendered) includes:

- Wages, salaries, tips
- Net earnings from self-employment
- Work Study
- AmeriCorps stipend
- Foster care income from the State
- Disability Insurance Income (if the employer pays for the insurance – if the employee pays for insurance, it does not count as earned income)

All Prosperity Account savers must have a source of **earned** income during the savings period. Savers cannot open a savings account until they verify there is earned income in the household from a job or a business. An individual who receives only Social Security income (or any other benefit income) cannot be a Prosperity Account saver because benefit income is not considered **earned** income.

_____ Acceptable Earned Income Verification Documentation (for both eligibility and employment)

- Copies of paychecks or pay stubs from within the past 30 days.
- Written statements from employers regarding employment within the past 30 days
- Letters or other documents from income sources, if dated within the last 30 days
- If self-employed, accounting and other business records showing net income.
- Most recent tax return.
- Capital gains.
- Any assets drawn as withdrawals from a bank, the sale of property, a house, or a car.
- Gifts, loans, lump sum inheritances, one-time insurance payments, or compensation for injury
- Non-cash benefits such as employer paid or union paid portion of health insurance or other employee fringe benefits, food or housing received in lieu of wages, the value of food and fuel produced and consumed on farms, the imputed value of rent from owner-occupied non-farm or farm housing, and federal non-cash benefit Program such as Medicare, Medicaid, food stamps, school lunches, housing, and other emergency assistance.
- Any portion of Social Security benefits deducted to pay Medicare premiums that will not be reimbursed.

_____ **Net Worth**

- For this program, net worth is determined by taking the household's total assets (what the applicant owns) and then subtracting the household's total liabilities (what the applicant owes) to see if it has a value of more than \$15,000.
- The following are **NOT** included when determining net worth:
 - 401(k)/403 (b) or other retirement accounts
 - One vehicle (asset), and associated liabilities (outstanding loan). The asset portion of the vehicle is calculated from the Trade-In Value.

_____ **Household Budget**

Prior to opening a Prosperity Savings Account, the applicant must provide an accurate annual household budget which includes their savings goal amount. A blank budget with built in formulas is sent as an attachment with the email confirmation an applicant receives upon completing the application. It is important this information is complete and accurate.

_____ **Application Review**

An application review will take place once the application is complete, and all the required documentation has been received from the applicant.

The purpose of the application review is to:

- Verify and review documentation and eligibility.
- Review completed monthly household budget.
- Identify any potential barriers to successfully completing the program and make appropriate recommendations.

_____ **Application Approval**

Once the application packet has been reviewed an approval/denial decision will be made. A United Way of Frederick County representative will communicate the final decision to the applicant.

If denied, the applicant will receive a letter detailing the reason(s) why, along with any suggestions which may offer additional and alternative financial stability resources.

If approved, the applicant will sign the approval paperwork needed to open their savings account.

Opening Prosperity Savings Account Program at the Bank

The saver must open their Prosperity Savings Account at the community bank location within 2 weeks of approval. The initial deposit to open an account is \$200. Saver is required to make monthly deposits until the total amount of \$3,000 is saved.

The following procedures will be used if the saver fails to open the account within 2 weeks:

- 3rd week after approval: Phone call to saver reminding them to open the account.
- 4th week after approval: Phone call to remind saver to open the account.
- 6th week after approval: Termination of application. The saver will have to reapply for the Prosperity Savings Account Program.

Financial Education Training

Each saver is required to complete all 6 sessions of the Budget Coach Program; to access the match funds.

All savers must attend the following a First Time Homebuyer workshop and submit a copy of their certificate of completion:

Department of Housing and Human Services

<https://www.cityoffrederickmd.gov/FormCenter/FCAA-Forms-3/HOMEBUYERS-CLASS-UNIVERSAL-CLIENT-INTAKE-115>

Requesting Funds for Qualified Asset Purchase

As a general rule, savers should request qualified withdrawals a minimum of two weeks in advance of the date on which the funds are needed. Several steps are required *prior* to all qualified withdrawal requests:

1. *Save for Prosperity Savings Account Program's minimum time requirement* – participants must participate in the program for at least 3 (three) consecutive months and complete all 6 sessions of the Budget Coach before being eligible for a qualified withdrawal.
2. *Must have the required maximum of \$3,000 saved in their Prosperity Savings account.*
3. *Complete all 6 sessions of the Budget Coach Program.*
4. *Complete the First Time Homebuyer Class* – prior to submitting any qualified withdrawal request, all participants must have participated in the home buyer class and submitted a copy of their certificate. The certificate must not be older than 12 months at the time of purchasing a home, otherwise the class must be taken again.
5. *Complete Qualified Asset Purchase Withdrawal form.*
6. *Qualify for financing* – for home purchases which require financing other than Prosperity Savings Account Program funds, participants must apply and receive approval for the loan or mortgage needed to make the asset purchase possible.

7. *Find or shop for a home* – because qualified withdrawals must be in the form of vendor checks, participants must have specific purchase plans. In addition, participants should use the timeframe afforded by the long-term saving process to make the most educated and wisest purchase choice possible. The home must be purchased in Frederick County.
8. *Complete and submit Qualified Asset Purchase Withdrawal form along with appropriate documentation to a Prosperity Savings Program representative* – at least 10 (ten) business days before Prosperity Savings Account Program funds are required. If the request is approved, the Prosperity Savings Program representative will sign the form and submit it to the community bank representative so the funds can be disbursed.

Homebuyer Assistance Program (HAP) Process

Once the savings goal is achieved, and upon completion of the program requirements the saver should get pre-qualified for a mortgage with a participating Lender, to determine how much house they can afford.

- 1 Register & take the required Homebuyer Education through Frederick Community Action Agency at <https://www.cityoffrederickmd.gov/FormCenter/FCAA-Forms-3/HOMEBUYERS-CLASS-UNIVERSAL-CLIENT-INTAKE-115> or call (301-600-1506).
2. Saver begins to shop for a home. Your realtor can assist with showing you homes that fit your budget.
3. Saver must contact United Way of Frederick County when they are ready to begin the search for a home (Do not wait till you place an offer (contract) on a home. United Way of Frederick County will notify the County and provide them with your Lender information. Your Lender will work directly with the County DCHD to access the match funds and submit a HAP application with backup documentation to DHCD for approval. The home must be purchased in Frederick County.
4. At time of home purchase (closing/settlement) DHCD will prepare for savers signature a Promissory Note and Deed of Trust outlining the terms of the loan (0% interest, deferred with repayment required upon the sale, refinance or transfer of title to the property; or when the home is no longer the primary residence of the borrower) and a check for the approved amount (\$14,000) will be delivered to closing.

Authorized Emergency Withdrawal

In order to be eligible for an emergency withdrawal, savers must have been enrolled in the program for at least three months. *After 3 months of saving, savers are allowed one opportunity within the program period to withdraw all or some of their savings from their account in case of an emergency. **Emergency withdrawals will not include matched funds.*** If an emergency withdrawal is made, a *NO MATCH – Emergency Authorized/Unauthorized Withdrawal* form must be used.

There is a minimum \$200 balance required to remain in the account when an emergency withdrawal is made.

Saver must review alternative strategies with program staff to attempt to resolve the problem without making a withdrawal.

Saver must develop a revised savings plan with program staff that will detail the saver's plan to repay the withdrawn funds within 12 months.

Emergency withdrawals will only be approved when, in the judgment of the program staff, the funds are necessary to:

- Prevent *eviction* of a saver or saver's family from their residence
- Pay for *critical health care services* for a saver or a saver's family member.
- Pay for *critical living expenses*, such as food supplies or utility expenses, following a saver's loss of employment.

Unauthorized Emergency Withdrawals

The following criteria apply to *unauthorized* emergency withdrawals:

- Account has been opened for less than 6 months.
- Request does not meet qualifications to be considered for an emergency withdrawal.
- Request does not meet the requirements for a qualified asset purchase.

Saver will forfeit any match for unauthorized withdrawals. The saver must make arrangements with United Way of Frederick County for the withdrawal of funds from the participating financial institution by completing the *NO MATCH Emergency Authorized/Unauthorized Withdrawal* form. The program representative will then provide a copy of the signed form for the saver to give to Frederick County Bank and the funds in the account will be returned to the saver without a match. The account will then be closed.

Alternatives to Emergency Withdrawals

In the event the saver's request to make an emergency withdrawal is not approved, the saver may choose to:

- Make do without the emergency withdrawal and continue participation in the program.

- Withdraw from the program, receive a full refund of all Prosperity savings deposits and interest and forfeit all matching money.

Those who have withdrawn from the program may submit a request to re-apply immediately, or at their convenience. Applicants will be required to requalify for the program and there is no guarantee that space will be available in the program.

Emergency Foreclosure Prevention Fund

When a program participant completes the matched savings program (and saves up to the maximum of \$3,000) they will receive \$14,000 from the County Government for a total of \$17,000 towards closing.

United Way of Frederick County's contribution of \$3,400 will be available as an emergency foreclosure prevention fund for the program participant to request assistance in the first 3 years of purchasing their home if they have completed all 6 sessions of the Budget Coach Program.

Emergency foreclosure prevention fund payments will only be approved when, in the judgment of the program staff, the funds are necessary to prevent missing a mortgage payment and foreclosure on a saver's primary residence and therefore protect the loss of any gained/future equity in the property.

Voluntary Early Withdrawal from Program

Life circumstances such as unemployment, medical emergency, change of marital status, etc. may require a saver to voluntarily withdraw from the program. All withdrawals require savers to notify a program representative at least two weeks before the planned withdrawal date by completing a *NO MATCH – Emergency Authorized/Unauthorized Withdrawal* form. The program representative will then provide a copy of the signed form for the saver to give to the financial institution and the funds in the account will be returned to the saver without a match.

Completion of Program

When a saver purchases their home, withdraws from the program, or the program term ends, they must complete the appropriate withdrawal forms. Both the saver and a United Way of Frederick County representative will be required to sign these forms. At that point, a copy of the signed forms will be sent to the bank to prepare the check. If there are any funds left in the account, they will be withdrawn and returned to the account holder and the account will be closed. Once that has taken place, the saver and everyone in the household is no longer eligible to apply or reapply for a Prosperity Savings Account.

Termination

Reasons a saver can be terminated:

- False, inaccurate financial information (for example, if the household exceeds income and asset requirements, if an applicant is unemployed, etc.)
- Failing to fulfill the financial education training minimum of at least six hours of approved classes, workshops, meetings, events, etc. prior to receiving matched funds.
- Failing to meet any additional requirements as defined by the policy.

If a saver is terminated, a letter will be sent to the saver announcing his/her termination from the program, along with the specific reasons for the account termination. At that time, the saver will have forfeited any rights to the matching money as a result of termination.

In the Event of Death

In the event of my death, I understand that if I designate another eligible individual as the beneficiary, that person will receive both my savings and earned match, provided he or she satisfies all project requirements. If I designate someone who is not eligible for an account, the beneficiary will receive only my savings, and my earned match will be used to match other account holders.

Accordingly, I designate the following beneficiary:

Full Name: _____

Street Address, City, State, Zip: _____

Phone 1: _____ - _____ - _____

Phone 1: _____ - _____ - _____

Email: _____

Relationship to account holder(s): _____

_____ Policy and Procedure Changes

United Way of Frederick County reserves the rights to make changes to these policies and procedures.

Account Holder Information:

Full Name: _____

Street Address, City, State, Zip: _____

Phone 1: _____ - _____ - _____

Phone 1: _____ - _____ - _____

Email: _____

Signatures:

I have read and understood the entire Prosperity Savings Account Program Policies and Procedures manual. I agree to the terms and conditions of this program.

Prosperity Savings Account Program owner signature:

Printed Name: _____

Date: ____ / ____ / _____

Prosperity Savings Account Program co-owner signature:

Printed Name: _____

Date: ____ / ____ / _____

United Way of Frederick County Representative signature:

Printed Name: _____

Date: ____ / ____ / _____