

LCB File No. R136-03

**PROPOSED REGULATION OF THE HOUSING DIVISION OF THE
DEPARTMENT OF BUSINESS AND INDUSTRY**

NAC 319.420 is hereby amended to read as follows:

“Program” defined. “Program” means each program administered by the Division pursuant to which the Division ~~issues bonds and uses the proceeds of the bonds to~~ *finances the* purchase of mortgage loans from participating lending institutions.

NAC 319.533 is hereby amended to read as follows:

“Second deed of trust” defined. “Second deed of trust” means an instrument, including, without limitation, a deed of trust, mortgage deed or other mortgage, that secures *either* a second mortgage loan and second deed of trust note *or a second mortgage loan and a deferred loan agreement* and creates a second lien, which is junior to a first lien, on a fee interest in real property located within this state.

NAC 319.539 is hereby amended to read as follows:

“Second mortgage loan” defined. “Second mortgage loan” means a loan that is:

1. Made to a qualified applicant *or eligible applicant* for the payment of the down payment or closing costs, or both, for a qualified residence *or eligible residence*;
2. Evidenced by a second deed of trust note *or deferred loan agreement*; and
3. Secured by a second deed of trust.

NAC 319.545 is hereby amended to read as follows:

Determination of money available; selection of participating lending institutions; notice of acceptance.

1. The Division will determine annually the:
 - (a) Amount of money that is available for each program to purchase second mortgage loans *or deferred mortgage loans* for down payments or closing costs. ~~}; and~~
~~[(b) Number of participating lending institutions necessary to administer that program.]~~
 2. To select the participating lending institutions that will participate in a program to purchase second mortgage loans *or deferred mortgage loans* for down payments or closing costs, the Division will:
 - (a) Verify the status of the lending institution as a participating lending institution;
 - (b) Consider the ~~level and~~ quality of participation of the participating lending institution in a program administered by the Division pursuant to [NAC 319.300](#) to [319.489](#), inclusive;
 - (c) Consider the extent of previous participation, if any, of the participating lending institution in a program *administered by the* Division to purchase second mortgage loans *or deferred mortgage loans* for down payments or closing costs. ~~}; and~~
~~—(d) Consider the locations of the participating lending institutions.]~~

3. The Division will issue a notice of acceptance to each participating lending institution that is selected by the Division to participate as a *participating lending institution* or qualified participating lending institution in a program to purchase second mortgage loans *or deferred mortgage* loans for down payments or closing costs.

DEFERRED LOAN PROGRAM

NAC 319 is hereby amended by adding thereto a new section to read as follows:

“Area median purchase price” means 95 percent of the median purchase price, which is the Federal Housing Administration mortgage limits for a one-family residence and is established by the Department of Housing and Urban Development for each state area.

NAC 319 is hereby amended by adding thereto a new section to read as follows:

“Deferred loan agreement” means an agreement that:

- 1. Evidences a deferred mortgage loan issued by a participating lending institution to an eligible applicant; and*
- 2. Is secured by a second deed of trust.*

NAC 319 is hereby amended by adding thereto a new section to read as follows:

“Deferred Loan Program” means each program administered by the Division pursuant to which the Division utilizes funds from the HOME Investment Partnership Program, under the Department of Housing and Urban Development, to finance deferred mortgage loans.

NAC 319 is hereby amended by adding thereto a new section to read as follows:

“Deferred Mortgage Loan” means a loan that is:

- 1. Made to an eligible applicant for the payment of the down payment or closings costs, or both, for an eligible residence;*
- 2. Evidenced by a Deferred Loan Agreement; and*
- 3. Secured by a second deed of trust.*

NAC 319 is hereby amended by adding thereto a new section to read as follows:

“Eligible applicant” means a person who:

- 1. Desires to obtain financing for the down payment or the closing costs, or both, for an eligible residence; and*
- 2. Meets the criteria set forth in NAC 319.330.*

NAC 319 is hereby amended by adding thereto a new section to read as follows:

“Eligible residence” means a residence that:

- 1. Is a single family residence constructed after 1978;*
- 2. Meets the criteria for a principal residence set forth in 26 C.F.R. § 6a.103A-2(d)(3);*
- 3. Has not been occupied by a renter within the last six months unless the eligible applicant is the current tenant;*

4. Meets the criteria for underwriting applied by the Federal Housing Administration or the Department of Veterans Affairs, depending on which entity insures or guarantees the mortgage loan; and

5. Has a value not exceeding the area median purchase price.

NAC 319 is hereby amended by adding thereto a new section to read as follows:

“Median Family Income” means the percentage of median family income as prescribed by the HOME Investment Partnership Program, adjusted for household size, that is established by area for this state by the Department of Housing and Urban Development.

NAC 319 is hereby amended by adding thereto a new section to read as follows:

Criteria for eligible applicant. An eligible applicant for a Deferred Mortgage Loan must:

1. Have obtained or be in the process of obtaining a mortgage loan for the purchase of an eligible residence pursuant to a program administered by the Division pursuant to NAC 319.300 to 319.489, inclusive;

2. Have a household income of not more than the median family income for a family the size of the eligible applicant’s family;

3. After paying closing costs for the eligible residence, have no more than \$5,000 in liquid assets in his possession;

4. Contribute a minimum cash investment of \$500;

5. Meet the criteria for underwriting applied by the Federal Housing Administration or the Department of Veterans Affairs, depending on which entity insures or guarantees the mortgage loan; and

6. Has completed a training course on the purchase of a home approved by the:

(a) Entity that insures or guarantees the mortgage loan; or

(b) Division, if the entity described in paragraph (a) has not approved such a course.

NAC 319 is hereby amended by adding thereto a new section to read as follows:

Requirements for deferred mortgage loans. Each deferred mortgage loan funded by the Division:

1. Must be of an amount that:

(a) Does not reduce the mortgage payment-to-income ratio of the eligible applicant, calculated as prescribed by the Federal Housing Administration, below 29%; or

(b) Does not reduce the total fixed payment-to income ratio of the eligible applicant, calculated as prescribed by the Department of Veterans Affairs, below 41%.

2. Shall not provide for funds to be used for any purpose other than down payment assistance and/or closing costs.

3. Shall not provide cash back to the eligible applicant at closing exceeding an amount of \$50.

4. Shall not create a combined loan-to-value ratio, including the mortgage loan and the deferred mortgage loan, exceeding 100%.

5. Shall meet the applicable HOME Investment Partnership Program requirements.

6. Must not exceed an amount of \$20,000.

NAC 319 is hereby amended by adding thereto a new section to read as follows:

Consent to jurisdiction of First Judicial District Court. Each mortgage purchase agreement must require the participating lending institution to consent to the jurisdiction of the First Judicial District Court of this state in any proceeding to enforce compliance with the provisions of chapter 319 of NRS, NAC 319.300 to 319.489, inclusive, and the mortgage purchase agreement.