

CITY OF DOTHAN

HOME BUYER ASSISTANCE PROGRAM GUIDELINES

Introduction

The City has identified the achievement of home ownership as a priority for its citizens. The Home Buyer Assistance Program seeks to help low and moderate income households achieve their dream of home ownership by providing part of their down payment. Studies show that saving for down payment and closing costs can be the greatest barrier to the purchase of a home. The target population for Home Buyer Assistance is households financially ready to purchase, but lack the additional funding necessary to cover the down payment or closing costs required to close the purchase. The program is available citywide.

The City of Dothan receives an entitlement grant annually from the U.S. Department of Housing and Urban Development under the Housing and Community Development Act of 1974 as amended. The City Commission of the City of Dothan has included \$50,000 in the FY07 CDBG program to establish a Home Buyer Assistance Program.

Available Assistance and Repayment Conditions

The City of Dothan will provide forgivable grants to eligible households to cover down payment costs up to a maximum of \$5,000. The City's assistance is limited to 50% of the required down payment. The assistance is in the form of a grant forgivable over a five year term (20% of the grant will be forgiven each year) for eligible first-time homebuyers. After five years the grant is completely forgiven.

Homeowners will repay any grant balance at the time of title transfer, sale or the homeowner moves out and rents the property within the first five-years. Home Buyer Assistance is not to be used to purchase "investment property".

If the house is to be sold within the initial five year period, the homeowner must notify the City and request the repayment amount. At closing, the City will receive any prorated payment remaining should the sale occur within five years. If the homeowner chooses to seek a second mortgage on the property during the first 5 years, the balance of Home Buyer Assistance funds must be paid in full.

Household Eligibility

Only first-time homeowners will be considered eligible for assistance. The term "first-time homeowner" means neither the homeowner nor any other members of the household have owned or been on the title to a home during the previous 3-years. The term will also include any person who has been displaced due to a divorce even though the person owned a home with his/her spouse or lived in a home owned by a spouse. The term "displaced person" refers to a person who is an adult and is divorced from a spouse and purchasing a home for themselves and any dependent children for the first time.

Homeowner must not own or be listed on the title to any other property at the time of application. The application will be the instrument to determine eligibility.

Income Eligibility

Eligibility is determined by “household income”. The definition of a household according to HUD is as follows:

“Those who dwell under the same roof and compose a family; also a social unit comprised of those living together in the same dwelling”.

Gross income must be reported for each and every adult age 19 and older that will live in the house within six months of purchase. This includes ANY PERSON whether or not they are on the mortgage loan and whether or not they are related to the homeowner. Failure to report other household members’ income(s) constitutes fraud and any funding provided to the homeowner will become immediately due and payable. Income includes all regular and expected payments received by the household. This includes any earnings from their primary employment plus any secondary income such as regular bonuses, commissions, tips, income from investments, regular overtime, part-time employment and retirement income. Also included are alimony, court-ordered child support, supplemental security income, net income from the operation of a business or profession or disability income. All applicants must provide a signed copy of last year’s tax return. Self-employed borrower(s) must provide signed individual federal income tax returns including all applicable schedules for the most current two years in addition to a profit and loss statement.

Homeowners must have a gross income not exceeding HUD income limits as shown on the table that follows. Homeowners must also have sufficient income, meaning total housing expenses and total household debt will not exceed acceptable underwriting standards.

Number of Persons in Household	HUD Maximum Income Limits
One person	\$27,500
Two person	\$31,450
Three person	\$35,350
Four person	\$39,300
Five person	\$42,450
Six person	\$45,600
Seven person	\$48,750
Eight person	\$51,900

HUD Income Limits as of March/2008 and are subject to update each year.

Property Eligibility

The home may be a condo, townhouse, single-family or modular home on a permanent foundation. Mobile homes are not eligible. The home must be located within the legal city limits of Dothan and the maximum purchase price and appraised value may not be more than the current FHA single-family limit, which is \$271,050, as of August 2008.

With respect to the Federal Uniform Relocation Act, the City can not use Federal funds to provide assistance for the purchase of any home that has been rented within 90 days prior to application. The home must be either owner-occupied or vacant and not rented any time in the previous 90 days. The only exception to this rule is when a tenant is purchasing the property where he/she currently resides.

Additional Requirements

- The homeowner must provide 50% of down payment with their own funds.
- The homeowner must also attend a homeownership class from Saliba Family Services Center, the Organized Community Action Program or a similar agency prior to closing and receive certificate of completion or a letter verifying attendance.
- The homeowner must use the house as their principle residence for as long as the grant is outstanding (5-years), or the forgivable grant becomes immediately due and payable.
- Property will only be in the name of the Home Buyer Assistance applicant(s).
- The property will be inspected by City staff for general livability. Any home built before 1978 must have an inspection attesting to its safety regarding lead-based paint.

Property Standard

All properties will receive an appraisal to determine property value, and this cost is usually paid for by the buyer. The appraisal will be reviewed by CDBG staff to insure that the property appraisal is acceptable. In addition, all previously occupied properties need to be inspected by the City of Dothan on the general condition of the property. The format used to meet this requirement is the Housing Quality Standards format from HUD. The inspection must be scheduled with the CDBG office by calling 615-4417. The buyer's real estate agent must be present. Should there be any safety and health issues noted, the deficiencies must be resolved before closing. An appraisal does NOT meet this requirement. The purchase of a home which is new construction, where the buyer is the first occupant, does not require an inspection.

First Mortgage Loan Requirements

The Home Buyer Assistance Program is compatible with VA, FHA and Conventional loans. The City's program is not compatible with sub-prime mortgages in which balloon payments and pre-payment penalties are allowed. No owner-carry loans are allowed. No land sales are allowed. No interest-only loans are allowed. No adjustable rate mortgages will be allowed.

Lead Paint

A visual lead paint assessment for homes built before January 1, 1978, is required by HUD. This will be done when the City provides a walk-through inspection. If lead hazards are suspected, the seller will be instructed to contact an agency trained to assess lead hazards, and any costs related to the identification and stabilization of lead paint hazards will be the sole responsibility of either the buyer or seller. Where lead paint hazards are found, the hazards must be completely mitigated and cleared before funding will be provided.

Flood Insurance

As per Federal regulation, if the home is located within a 100-year floodplain by FEMA, the home must have National Flood Insurance coverage. A copy of the insurance will be required before closing which shows the City as a lien holder.

Application Submittal

Applications for Home Buyer Assistance will **be accepted only from mortgage lenders** who have received Home Buyer Assistance training from the CDBG staff, have pre-qualified an applicant and the applicant is in the process of acquiring mortgage approval. The program does not accept applications from the public. Funds are limited and are committed on a first-come, first-served basis.

Mortgage lenders will submit Home Buyer Assistance applications for their buyers. The application and attachments should include the following:

1. Income verification for all adults
2. Most recent tax return
3. Lender's Uniform Loan Application
4. Purchase contract
5. Good faith estimate
6. Verification of legal residency (Driver's License)
7. Submit vendor application for homeowner

CDBG staff will review the application, determine eligibility and notify the borrower and lender of the funding decision within three working days, if possible. The lender is

responsible for supplying all required documents to the City to receive a Conditional Commitment of Home Buyer Assistance funding for the applicant.

Other documents will also be required at a later date, including but not limited to, the following:

1. Appraisal
2. Title commitment
3. City inspection results
4. Estimate settlement statement

The City will not authorize payment to the Title Company or Lender until the settlement statement has been provided. No changes in the City funds can be made after the settlement statement has been processed through the City. Funds will be available one week following receipt of the final statement. No property may be closed in escrow when using Home Buyer Assistance. CDBG staff will deliver the down payment check at closing.

Grievance Procedure

A. General

The City of Dothan is strongly committed to Fair Lending Laws, Equal Credit Opportunity, Equal Employment Opportunity and Affirmative Action. Discrimination against any person because of race, color, sex, creed, age, national origin or ancestry, personal beliefs, disabilities or other criteria is prohibited. The City of Dothan will make reasonable accommodations for access to City services, programs, and activities and will make special communication arrangements for persons with disabilities. Persons requiring the services of a translator or any other forms of assistance needed in order to make application for Home Buyer Assistance may receive these services upon request to the CDBG office at (334) 615- 4417.

Any person who believes he has been aggrieved by;

1. Determination by CDBG staff as to eligibility was in error or has a complaint concerning the program, or
2. Failure on the part of the CDBG staff to correctly carry out his/her responsibilities in connection with the processing of the Home Buyer Assistance application may file a complaint and have his case reviewed by the Director of Planning and Development.

B. Methods of Presentation by Claimant

Oral: A person may talk over his case either alone or with the assistance of another person with the Director of Planning within the time limits set forth below in section C.

This oral presentation does not preclude the making of a written presentation. The oral presentation will be allowed within 15 days of the making of such request.

Written: If the claimant does not receive satisfaction from an oral presentation, or should he desire to forego the oral presentation, a written statement of his beliefs as to what he desires may be made to the Director of Planning and Development.

C. Time Limits for Making Complaints

Generally speaking, a complaint may be filed for review no later than 90 days after the date that a person is informed of ineligibility or the person alleges that the CDBG staff failed to correctly carry out program responsibilities. Extensions of time may be granted for good cause on an individual basis.

Conflict of Interest

Conflicts of Interest - No person who is an employee, agent, consultant, officer, appointed official, or elected official of the City of Dothan who exercise or have exercised any functions or responsibilities with respect to CDBG activities, or are in a position to participate in a decision-making process, or gain inside information with regard to such activities, may obtain a personal or financial interest or benefit, or have an interest in any program assistance, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter.

In all cases where an apparent conflict of interest exists, HUD will make a finding regarding the eligibility of the applicant. Assistance shall not be granted unless approved by HUD. The conflict of interest process may add, at minimum, forty five (45) days to the eligibility process.

Revised 10/6/08
Revised 11/13/08