

Virginia Department of Housing and
Community Development

HOMEownership
Down Payment Assistance Program

Program Guidelines
2007-2008



**Department of Housing and
Community Development**

**The Jackson Center
501 North Second Street
Richmond, VA 23219**

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INTRODUCTION

The **HOMEownership** Down Payment Assistance Program operates through local partnerships with governmental entities, nonprofit housing service providers, and mortgage lenders across the Commonwealth. The program operates through a network of grant administrators who offer housing counseling and pre-qualification screening for eligibility on a first-come, first-served basis to address regions of the state targeting homebuyers with incomes at or below 80 percent of the Area Median Income (AMI). The program structure promotes equitable access to HOME funds by both entitlement and non-entitlement communities based on income and credit criteria. (There is an expectation that organizations in entitlement communities are also serving those within non-entitlement areas).

Program Administrator for Homeownership Programs
(804) 371-7117

PROGRAM GOAL: HOMEOWNERSHIP ASSISTANCE

The HOMEownership Down Payment Assistance Program (HOME DPA) is a flexible gap financing program that provides opportunities for first-time homebuyers to obtain homes that are decent, safe and accessible. The long term goal is sustainable affordable housing and growth in personal wealth and equity for low-income Virginians. Administrators who are selected to administer the HOME program funds for DHCD must demonstrate a program of assistance that provides a mechanism to qualify eligible homebuyers based on actual financial need, on a first-come, first-served basis. Administrators are encouraged to collaborate with other local sources such as housing assistance waiting lists, other housing program grantees and administrators, social service agencies, area agencies on aging, and local building and fire officials to determine target populations.

APPLIED FORMULAS FOR HOME-ASSISTED UNITS

Administrative requirements for the HOMEownership Down Payment Assistance Program follow the established guidelines specified in the HOME Investment Partnership Program Final Rule: (see http://www.access.gpo.gov/nara/cfr/waisidx_03/24cfr92_03.html).

The cost limit for assistance is up to 10 percent of the sales price of the assisted property for down payment. In addition, the Administrator may provide an additional \$2,500 in HOME subsidy to cover eligible closing costs not adequately paid by the seller. Localities of the state which have been designated as “high cost areas” (listed below) may provide up to 20 percent of the sales price as the need demands. In addition, targeted areas of the state have been designated by the IRS as Chronically Economically Depressed census tracts and will be considered for assistance up to 20 percent. Use the following link to identify these target areas: http://www.vhda.com/sf/gis/targeted_areas.asp. Applicants are awarded an administrative fee to help defray their costs to administer the HOME program funds as noted on the Fee Schedule (**APPENDIX A**).

HIGH COST Localities:

Albemarle	Grayson	Smyth
Alexandria	Herndon	Spotsylvania
Allegany	Highland	Stafford
Annandale	King George	Tazewell
Arlington	Lee	Warren
Bath	Loudon	Winchester
Bland	Madison	Wise
Buchanan	Manassas	Wythe
Carroll	McLean	
Charlottesville	Montgomery	
Clark	Nelson	
Craig	Orange	
Culpepper	Page	
Dickenson	Prince William	
Fairfax	Pulaski	
Falls Church	Rockingham	
Fauquier	Russell	
Floyd	Salem	
Frederick	Scott	
Fredericksburg	Shenandoah	
Giles		

PROGRAM REQUIREMENTS

The HOMEOWNERSHIP Down Payment Assistance Program is designed to operate through local partnerships with governmental entities, non-profit housing service providers, and mortgage lenders across the Commonwealth. Administrators selected to administer the HOME program funds typically are units of local government or nonprofit organizations that are actively participating in housing programs. Administrators may operate from HOME-entitlement areas of Virginia as long as they also provide service through their organization to non-entitlement communities.

The HOME program specifically requires:

- Down payment and closing costs for identified populations where total family household income does not exceed 80 percent of the area median income;
- Supportive services including preliminary homebuyer services; i.e., pre-qualification screening, and housing counseling services;
- Access to HOME program funds must be offered on a first-come, first-served basis; and
- Assisted housing and associated costs cannot exceed 95 percent of the area median home sales price which are established by HUD as the 203-B limits.

I. CLIENT ELIGIBILITY:

Participation in the program is limited to credit-eligible homebuyers at or below 80 percent of the area median income (AMI) as defined by HUD based on household size and geographic location of the assisted property. Borrowers with total household incomes in excess of 80 percent AMI are not eligible for this assistance. HOME down payment assistance is not an entitlement, but a limited public resource to be used to further first time home ownership for those who without this assistance would not be able to move forward with a home purchase. Use the following links to review income tables and the maximum area sales price: http://www.huduser.org/Datasets/IL/IL05/va_fy2005.pdf
http://www.vhda.com/vhda_com/Template_app.asp?VHDA_COM_PAGE_NAME=Limits.

II. HOMEBUYER OR BENEFICIARY CRITERIA AND PROGRAM GUIDELINES:

1. Homebuyers must meet all eligibility requirements:
 - a. Qualify as a first-time Homebuyer as defined by HUD as one of the following:
 - i. have never owned a home before; or
 - ii. have not held primary ownership in a principle residence within the most recent three year period;
 - b. Complete a HUD-certified Homebuyer Education Course through a VHDA or Neighborworks® certified course;
 - c. Possess a signed purchase offer for an property (turn key at the time of settlement)
 - d. Demonstrate that their income does not exceed 80 percent of the AMI;
 - e. Provide one percent of the sales price of the home from their personal funds towards the purchase of the home or a minimum contribution of \$500;
2. **NOTE:** If purchaser puts more down than the required amount of cash to purchase a home, the additional cash will go towards the purchasing of the home, no funds will be returned to the purchaser at closing/settlement when HOME funds are awarded for down payment and/or closing cost assistance. If the purchaser is required to pay any cost up front that would have an affect on settlement, please contact DHCD, such as paying an insurance premium in full before closing.

- a. The Administrator must have their organization homebuyer application in concert with the Good Faith Estimate to be sure that the program requirements and fees are clearly communicated with and understood by the homebuyer.
 - b. The purchaser must sign a homebuyer agreement form with the administrator for the down payment and/or closing assistance.
 - c. All information and documentation must be retained by the Administrator for a period of no less than 5 years from the date of loan closing.
3. Eligible properties include the following, and properties must also meet programmatic requirements of Mortgage Lenders:
- a. Single-family property (one unit);
 - b. Two to four-unit property where one unit will be the principle residence of the purchaser;
 - c. Townhouse homes;
 - d. Condominiums
 - e. Manufactured home
 - i. At the time of project completion, the manufactured housing must be connected to permanent utility hook-ups
 - ii. The manufactured housing must be located on land that is owned by the manufactured housing unit owner, or on land for which the manufactured housing unit owner has a lease for a period at least equal to the applicable period of affordability.
4. Program guidelines:
- a. Funding is limited to down payment and closing cost assistance for purchasers at or below 80 percent AMI. Purchasers can receive “up to” 10 percent or 20 percent (within the established approved areas by DHCD) of the sales price.
 - b. Borrowers with cash assets of 10 percent or more of the sales price **will not** be eligible for down payment and closing cost assistance.
 - c. Loan packages submitted for funding consideration **cannot exceed 95 percent of the loan** to value (LTV) or a cumulative LTV of 108 percent including any other sources of subsidies. Administrators should be aware of the comparable sales prices in their targeted areas.
 - d. Borrowers must meet the usual and customary mortgage underwriting criteria that demonstrates creditworthiness sufficient to obtain a mortgage loan commitment;
 - e. Borrowers must occupy the HOME-assisted property as their principal residence consistent with the applicable affordability periods specified herein;
 - f. Borrowers must execute a Restricted Deed of Covenant for the amount of the HOME subsidy with a term that runs consistent with the applicable affordability period) (**APPENDIX B**); **NOTE:** Minimum Home Investment per unit is \$1,000 per HUD regulations (24 CFR 92.205 Section C).
 - g. Borrowers must understand that there will be a lien on the property during the entire affordability period even if the funds are repaid during the affordability period.
 - h. This program will not allow subordination to refinancing of the 1st Mortgage or equity line of credit. This is an important program element to share with all program

participants. HOME funds will be due and payable to DHCD in accordance with the applicable affordability period.

- i. The original amount of HOME funds received at the initial purchase of the house will be due and payable in full to DHCD if there is a refinance or sale of the property during the affordability period.
- j. A complete FHA appraisal must be conducted on all HOME-assisted properties. Home values may not exceed 95 percent of the area median sales prices (**203-B limits established by HUD**);
- k. All units of housing must meet the DHCD Housing Quality Standards upon final settlement or closing – use the following link to access HUD’s standards: <http://www.hud.gov/offices/cpd/affordablehousing/library/forms/hqschecklist.doc>(**APPENDIX C**). This completed inspection for should be included in each client file.
- l. HUD lead-safe provisions, <http://www.hud.gov/offices/lead/leadsaferule/summary.cfm> apply to all assisted home purchases properties. This includes a notice of lead hazard, visual inspections, remedy of any lead problems, and re-inspection if applicable. Please refer to the HUD link above for more details and on-line training.
- m. No monthly repayment is required on the deferred payment loan issued by DHCD. The applied subsidy will be forgiven over the **period of affordability**. Periods of affordability in relationship to the amount of HOME funds awarded are based on the following table:
- n.

Amount of Assistance or Subsidy	Years in the Period	
\$1,000 – \$14,999	5	
\$15,000 - \$40,000	10	
Amounts over \$40,000	15	

- o. Total household income includes all of the following:
 - i. Wages, salaries, tips, etc.;
 - ii. Business Income;
 - iii. Interest & Dividend Income;
 - iv. Retirement and Insurance Income;
 - v. Unemployment and Disability Income;
 - vi. Welfare Assistance;
 - vii. Alimony, Child Support, and Gift Income; and
 - viii. Armed Forces Income.
 - p. The files of the Administrator must include a written completed calculation of income for each homebuyer compared to applicable limits of the program.
5. Homebuyers are subject to a recapture provision.
- i. Homebuyers are subject to recapture restrictions to ensure that the unit remains as an affordable principal residence consistent with the applicable period of affordability. DHCD’s program design incorporates the recapture provision consistent with the standards in the HUD HOME Investment Partnerships Program Final Rule 24 CFR 92.254. Upon on sale or refinance of an property during the affordability period, the total amount of assistance is due to DHCD.

- c. Affirmative Marketing policy;
 - d. Equal Employment policy;
 - e. Non-discrimination policy; and
 - f. Drug-free workplace policy.
3. Nonprofit organizations will be required to provide written records of the following documentation with any contract that is negotiated:
- a. Internal Revenue Service 501 (c) 3-designation;
 - b. Articles of Incorporation;
 - c. State Corporation Certificate;
 - d. Agency By-laws; and
 - e. List of current Board Members

IV. ADMINISTRATORS' FINANCIAL AUDITS

Administrators shall be responsible for submitting an annual, independent, organization-wide audit for each fiscal year in which the organization receives funding from DHCD. Organizations expending more than \$500,000 in federal funds, from all sources, during their fiscal year are required follow the federal requirements of OMB Circular A-133 for that audit, see this link for information <http://www.whitehouse.gov/omb/circulars/a133/a133.html>.

V. REPORTING CHARACTERISTICS AND OUTCOMES OF THOSE COUNSELED FOR HOMEOWNERSHIP

DHCD will collect data pertinent to those potential homebuyers who were unable to access and receive the benefit of HOME program funds as well as those who received the benefit.

VI. PROCESS STEPS AND REQUIREMENTS

There are three basic steps in the process to provide HOME program funds to homebuyers: Setting up or reserving the funds: disbursing the funds for their use in the final settlement or closing of their real estate transaction: and completing the activity in the HUD accounting system.

1. Set Up Report/Completion Report – How to Reserve or Commit Funds for the Homebuyer
Submit the following completed forms and documents to DHCD:
 - a. HUD Set Up/Completion Form (**APPENDIX D**)
 - b. Copy of the Verification of Income
 - c. **Good Faith Estimate**
 - d. Financial Information Sheet (**APPENDIX I**)
 - e. Copy of Homebuyer agreement (**APPENDIX H**)

2. Disbursement of the Funds – How to Request that DHCD Disburse the Funds to either the administrator or the settlement agent or attorney
Submit the following completed forms and documents to DHCD:
 - a. Disbursement Request Form (**APPENDIX E**)
 - b. Processing Fee Disbursement Request Form (**APPENDIX F**)
 - c. Revised documents WHEN the loan commitment and or income have changed and the client still meets the eligibility requirements.
 - d. Copy of the Lender's Loan Commitment Letter.

**NOTE: Administrators are strongly encouraged to be set up through the Virginia Department of Accounts for electronic transmission of funds. The instructions and forms are located at the following web address:
<http://www.doa.virginia.gov/procedures/GeneralAccounting/EDI/edinew.htm>**

3. Completion of the Activity – How to complete or close out the activity in the HUD accounting system

Submit the following completed forms and documents to DHCD:

- a. Copy of the updated Set up/Completion Form (**APPENDIX D**)
- b. HUD 1 Form – A copy that has been executed by the seller and settlement agent is required.
- c. Restricted Deed of Covenant (**APPENDIX B**)
- d. Promissory Note (**APPENDIX G**)
- e. Copy of the Appraisal
- f. Processing Fee Disbursement Request Form for any final processing fees that are due to the administrator.
- g. Administrator must provide written documentation of providing homeownership counseling to the purchaser.
- h. Administrator must provide receipt of payment for any lead-based paint inspections that are paid and/or conducted on the behalf of the purchaser by the administrator. A lead inspection report must also be submitted.

VII. ADMINISTRATOR FEE SCHEDULE

Administrators may collect fees and will be paid an administrative fee for administering these HOME program funds as follows:

Administrative Funding - there will be a total allowable **Processing Fee** of **\$1,500** for each completed activity billable to the HOME program. In addition, the administrator may receive an additional processing fee of **\$300.00 for all clients served at 60 percent** or below AMI. The breakdown is as follows:

- An administrator must submit all of the required documents on the document checklist along with a completed HUD set-up/completion form to have funds reserved for a purchaser.
- \$1,000 will be released to the administrator for processing fees, once a loan commitment letter is submitted and funds are being requested for the homebuyer. Pre-approval letters are not loan commitments.
- DHCD will release an additional **\$500.00** for clients at 80 percent AMI; or an additional \$800 if an administrator submits proof that the client's income was 60 percent AMI at the time of set-up under the first-time homebuyer program when a completed HUD Completion Report, accurate closeout documentation, and a recorded Restrictive Deed of Covenant is received.
- The total processing fee must show on the HUD Set-up and the Completion form
- Processing fees must be requested on the appropriate disbursement forms
- Copies of a counseling certificate and proof that the Administrator is not receiving HUD funds for homeownership counseling must be submitted to receive an additional counseling fee of **\$300**

- The federal regulations require Lead Inspections for homes built prior to 1978. The Administrator can receive up to **\$250** for Lead Inspections by submitting a copy of a paid receipt and a copy of the report to DHCD along with the completed HUD homeownership completion form.

NOTES:

Housing Quality Standards is a requirement by HUD when using HOME funds and the cost of this is part of your processing fee not an additional fee.

Approved: _____
Associate Director of Housing Date: _____

Approved: _____
Deputy Director of Housing Date: _____