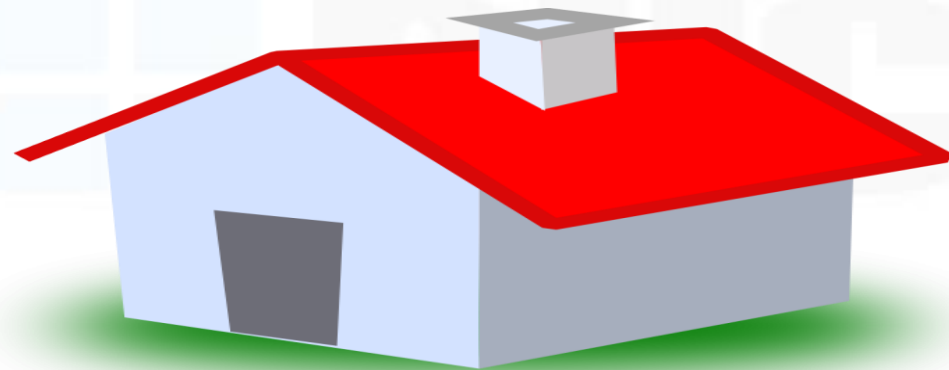




HOME Funds Down Payment & Closing Cost Assistance Program





HOME Partnership Investment Fund Program

- Created by the National Affordable Housing Program Act of 1990
- Program intent:
 - Provide decent affordable housing to lower-income households
 - Expand the capacity of non-profit housing providers
 - Strengthen the ability of state and local governments to provide housing, and
 - Leverage private sector participation



Eligible Funded Activities

- Homeowner Rehabilitation/Indoor Plumbing & Rehab
- Homebuyer Activities
 - Homebuyer assistance (Down payment and closing costs assistance)
- Affordable and Special Needs Housing Program
- Community Housing Development Organizations (CHDO)
- Rural Homeowner Rehab
- Vibrant Community Initiative



Role of down payment

- What are the purposes of DP?
 - Reduce 1st mortgage risk
 - Give buyer a stake in owning
 - Provide risk cushion for subsidy

- Require reasonable down payment
 - Buyers need to earn homeownership
 - If they can't save down payment, how can they absorb extra ownership costs?



Down Payment Program

- Direct subsidy to the Homebuyer:
 - Financial assistance that reduces purchase price for homebuyer below market OR otherwise subsidizes the homebuyer
- Maximum amount of direct assistance (including closing costs): up to **10%** of the sales price, or up to **15%** in high-cost areas established by DHCD
- Homebuyers with cash assets 10% or more of the sales price are not eligible



Direct Subsidy

- Direct subsidy to the Homebuyer:
 - Financial assistance that reduces purchase price for homebuyer below market OR otherwise subsidizes the homebuyer
 - DHCD subsidy includes:
 - Down payment assistance; and/or
 - Closing cost assistance



Homebuyer Requirements



The Homebuyer

- Low-Income (less than 80% AMI)
- First-time homebuyer as defined by DHCD
- Property must be principal residence
- Receive homeownership counseling and complete HUD-certified Homebuyer Education Course
- Present an executed purchase agreement/contract
- Provide 1% of the sales price from personal funds
- Mortgage based on DHCD income calculations – must meet DHCD debt to income limits, both front and back ratios



Enforcement

- Homebuyers 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.
- Homebuyers must understand that there will be a lien placed on the property during the affordability period.
- The homebuyer(s) may prepay the whole unpaid balance of this indebtedness at any time without penalty. However, the provisions of the HOME homebuyer agreement will not be released during the affordability period.



Repayment

- The owner of the HOME-assisted Unit shall at all times maintain the Affordable Unit as his or her principal place of residence during the Period of Affordability.
- At no time shall the owner of the HOME-assisted Unit lease or rent the Affordable Unit to any person or persons.
- Failure of the homebuyer to occupy the HOME assisted unit as his or her principal residence (i.e., unit is rented or vacant) will trigger the *repayment* of the entire outstanding HOME investment.



Recapture

- DHCD utilizes Recapture as the compliance requirement during the period of affordability
- Affordability period is based on total direct subsidy to homebuyer
- Under Recapture, homeowner can sell to anyone at any price at any time, but must pay back the subsidy if during affordability period



Affordability Terms

HOME \$ (Recapture, direct assistance per buyer)	Affordability Period by Years
< \$15,000	5
\$15,000 - \$40,000	10
Over \$40,000	15



Property Requirements



Eligible Properties

- Eligible properties must meet programmatic requirements of Mortgage Lenders:
 - Single-family property (one unit)
 - Two-unit property, second unit is a HOME rental*
 - Townhouse home
 - Condominium unit
 - Manufactured home

* Must contact DHCD if there is a rental unit



Maximum Property Value

- Housing must be modest
 - Determined based on property sales price or value
 - Sales price cannot exceed **95%** of the median area purchase price; and it can't exceed five times the borrowers' household income
 - Use Sales Price limits established by HUD for the HOME Fund Homeownership program for the current grant year



Property Standards-Acquisition

- DHCD requirements:
 - House must be inspected by certified home inspector with separation of duties
 - Must meet the applicable Uniform Physical Condition Standards as established by HUD before final settlement or closing
 - Environmental Review must be conducted by DHCD prior to purchase
 - HUD lead-safe provisions apply to all assisted home properties purchased and must meet standards at time of occupancy
 - An FHA appraisal must be conducted



QUESTIONS





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