DOWN PAYMENT ASSISTANCE PROGRAM GUIDELINES

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Amended 11-28-2011

DOWN PAYMENT ASSISTANCE PROGRAM GUIDELINES

I. PROGRAM GOAL

The goal of the Down Payment Assistance Program is to encourage home ownership.

II. ELIGIBILITY CRITERIA

A. Low and Moderate Income

1. The applicant's income is below 80% of median income

2. The property may be located any where in the City of Auburn.

3. The property may be a single, 2, 3 or 4 family structure.

B. Above 80% of Median Income

1. When the applicant's income is above 80% of median income.

   a) The property must be located in the Downtown, New Auburn, or Union Street Community Development Block Grant Target Areas.

   b) The property must be a 3 or 4 family structure and minimum of 51% of the rental units shall be occupied by tenants with incomes below 80% of median income for a period of one year.

      1) The applicant will be required to obtain and furnish rental information to enable Community Development staff to evaluate rent levels. The applicant will submit the current amount of rental charges, utility types, who pays the utilities, and the names of tenants for the units.

      2) The maximum allowable rent shall be equal to the amount of rent and utility costs being paid by the tenant at the time of application. The period of affordability shall be one year after the loan closing.

      3) Vacant units shall be rented to low- and moderate-income households for a period of one year. The maximum allowable rent for vacant units shall not exceed the Fair Market Rent in effect when the rent is calculated with an

adjustment for utility allowance based on Section 8 Existing Housing Allowances for Tenant Furnished Utilities and Other Services.

c) The borrower will sign a Rent Agreement stipulating rent limitations at loan closing.

C. **All Applicants**:

1. The applicant does not own residential property and is not a party in an installment land contract at the time of application.

2. The applicant does not owe taxes or fees to the City of Auburn at the time of application.

3. The applicant's liquid- assets do not exceed -$15,000- Liquid assets are cash accounts, savings accounts, stocks, bonds, money market accounts, certificate of deposits, and cash gifts. It shall not include retirement accounts or life insurance cash values.

4. The applicant agrees to attend educational sessions in budgeting, home ownership, and landlord/tenant operations, and to participate in all property inspections.

III. ELIGIBLE PROPERTIES

The property must meet all of the following criteria:

A. The property to be purchased must be either a traditional one to four unit owned fee simple, a condominium unit, a cooperative unit, or a manufactured home. A mobile home may be purchased if it is permanently installed according to the Auburn Zoning Ordinance and on land that will be deeded with the purchase.

B. The property must meet applicable State and Local land use laws.

C. The property must meet federal Housing Quality Standards and comply with Title X Lead Standards.

D. The property must be a year round residence or shall be a property converting to a year round status according to the requirements of the City of Auburn's duly adopted construction codes and zoning ordinance.

IV. LOAN TERMS

A. The maximum loan amount shall be $12,000:

B. The maximum of liens for the purchase of the property, including the City loan shall not exceed 105% of the value of the property.

C. A maximum of $6,000 may be for the purpose of financing closing costs and bank fees. The amount eligible for down payment assistance shall not exceed half of the down payment required by the lender.

D. The loan payment shall be established by the Community Development Loan Committee based on financial capacity of the applicant. The maximum loan term is 30 years.

E. The loan shall be interest-free.

F. The loan is not assumable.

G. The borrower shall be required to occupy the purchased property as a principal residence.

V. LOAN ACCELERATION

A. The loan shall be immediately repaid if the applicant sells or transfers title to the property during the term of the loan.

B. The loan shall be repaid within one year of the death of the borrower(s).

VI. APPROVAL PROCESS

A. Community Development Staff

The Community Development Block Grant office has responsibility for administration of the Down Payment Assistance Program. The Community Development Coordinator performs the underwriting and presents the loan request to the Community Development Loan Committee.

B. Community Development Loan Committee

1. Loans will be reviewed by the Community Development Loan Committee who will be responsible for making a decision to approve or deny loan requests and to establish loan conditions.

2. Appeal Procedure: The reason(s) for rejection shall be given to the applicant. Loans that have been denied may be appealed to the Community Development Loan Committee for a period of thirty days after the date of rejection. The applicant will be allowed to present his/her case to the Community Development Loan Committee. The Community Development Loan Committee may reconsider their prior vote to denying the application after the appeal review has been completed.

C. Loan Considerations

In approving or denying loan requests, the Community Development Loan Committee shall be guided by the following loan considerations:

1. Underwriting

   a) Cash flow -- ability to repay the debt;
   b) Credit – good credit history and reputation;
   c) Collateral coverage

VII. ADMINISTRATION

A. Non-Discrimination

Administration of this program shall be in accordance with Title VI of the Civil Rights Act of 1964. No person shall, on the ground of race, color, national origin, be excluded from participation in, be denied the benefits of, or subjected to discrimination under this program .

B. Definitions

1. Household Income

a). For the purpose of determining eligibility, the Community Development Coordinator will calculate income by estimating the annual income of a family or household by projecting the prevailing rate of income of each person at the time assistance is requested. Estimated annual income shall include income from all family or household members.

b). Income of all members of the household is considered for computing income. This may include wages, salaries, overtime, bonuses, fees, tips, commissions, interest and dividend income, self-employment income, net rental income, income from estates or trusts, child support, alimony, Social Security benefits, SSI retirement, survivor or disability pension, VA payments, pension, or annuity, Temporary Aid to Needy Families, unemployment

benefits, worker's compensation, and disability or benefits from any source.

c). **Household Occupants**

1) Counting Occupants: For the purpose of computing income, household shall be defined as all persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together or any other group of related or unrelated persons who share living arrangements.

2) Exception -- An exception to calculating household income will be for boarders of the applicant. A boarder is an adult who pays the market rate to rent a room and shares kitchen facilities with the applicant. The applicant must produce verification of rental income such as canceled checks and rental income on a federal income tax form. The gross income of the boarder will not be included in calculating the applicant's household income. Instead, staff will add to household income the amount of rent paid by the boarder or the HUD Fair Market Rent for a 0 bedroom unit shall be added to household income. The boarder will not be counted as a household member when calculating family size.

2. Fair Market Rent

Fair Market Rent is an annually published rent level prescribed by the U. S. Department of Housing and Urban Development based on a specified number of bedrooms.

C. Income Limits

To qualify applicants under the Downpayment Assistance Program staff will use income limits for Lewiston-Auburn SMSA established by the Department of Housing and Urban Development. Revised charts will be used upon receipt.

D. Application Procedures

1. Loans will be processed on a first-come, first-served basis, according to the date of submission of a completed application. The applicant will be notified if there is funding available to proceed with the project and if there in inadequate funding, then the application may be placed on a Downpayment Assistance Waiting List.

2. The Community Development Coordinator will be responsible to solicit applications. To document eligibility the applicant shall supply copies of all income sources (i.e. check stubs, statements, W-2 forms, State and Federal income tax returns). Written verification may be required from income sources. The Community Development Coordinator shall perform loan underwriting, perform housing inspections to establish if the property meets Housing Quality Standards, secure approval, and prepare loan documents. If renovations are required to meet Housing Quality Standards, the Community Development Coordinator will work with the Rehabilitation Coordinator or with a private lender.