



City of Auburn, Maine
Business & Community Development
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Auburn – Lewiston Consortium

HOMEBUYER PROGRAM GUIDELINES

Community Development Office (CDO) of each city is responsible for budgeting and administration of the Homebuyer program for that city.

A. PROGRAM GOAL

The objectives of the Homebuyer Program are to make home ownership affordable for low- and moderate-income households, to provide funds that will open access to other homebuyer programs, and to increase owner occupancy in targeted areas. The Homebuyer Program is designed to provide an opportunity for low- and moderate-income families to purchase market rate homes. The Homebuyer Program is subject to all of the HOME Investment Partnerships Program regulations found in 24 CFR 92.254(a)(2)(i).

B. OUTREACH

The CDO for each city is responsible for providing outreach to encourage a full range of potential clients. This shall be accomplished through marketing to homebuyer education classes, newspaper articles, and advertising the availability of the Homebuyer Program. Advertisements shall include a non-discrimination statement. Outreach shall be done in accordance with the Consortium's Affirmative Marketing Plan.

C. PARTICIPANT ELIGIBILITY

1. The applicant(s) household income must be below 80% of area median income at the time of the closing
2. The applicant(s) shall have a minimum household income of
 - a. \$25,000, or
 - b. \$20,000 if the first mortgage is financed by USDA Rural Development as a subsidized interest rate loan.
3. The applicant(s) is able to obtain standard financing at a fixed rate.
4. The applicant(s) may not own residential property or be a party in an installment land contract at the time of application.
5. The applicant(s) liquid assets shall not exceed \$15,000. Liquid assets are checking 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.

D. PROPERTY ELIGIBILITY

1. The property must be located in Auburn or Lewiston city limits.
2. The property may be a single-family dwelling, a rental property with two- to four-dwellings, a condominium unit, a cooperative unit, or a mixed-use property.
3. The property must be one of the following approved forms of ownership: fee simple title, 99-year lease, condominium, or cooperative housing.
4. The maximum property value will not exceed 95% of the median purchase price for that type of housing for the area as published by HUD, Section 203(b).
5. The property will be decent, safe, sanitary and in good repair and meet the following standards prior to the closing: Lead Safe Housing Rule (for pre-1978 units), accessibility requirements of 24 CFR Part 8, Section 504 of the Rehabilitation Act of 1973, standards of the International Existing Building Code, and Auburn Housing Standards. The financing package shall include adequate funds to complete all necessary improvements to meet these standards.
6. The property shall be inspected by CDO prior to the applicant(s) signing a purchase and sale agreement to assure that the property is appropriate for the applicant(s) and has potential to meet all property standards.

E. HOME BUYER ASSISTANCE TERMS

1. The applicant shall produce a minimum of \$1,000 in personal savings for the down payment verified with current bank statements.
2. The applicant will receive a loan not to exceed 20% for the purposes of covering the owners' required down payment. No Private Mortgage Insurance (PMI) shall be charged to the applicant. No fees will be charged for the HOME assistance CDO office will determine if the First Mortgage fees are reasonable as required by 24 CFR 92.254(e)(3).
3. Repayment term will match term of the primary lender.
4. Interest rate will be 1% less than the primary lenders note rate.
5. The loan will be secured by a 2nd position mortgage.
6. Recapture- Refer to the CDO Manual for detail on the recapture period and conditions. The recapture provision shall be recorded along with the mortgage at the Androscoggin Registry of Deeds.

Based on the total HOME- funded loans to applicant(s), the property to be purchased shall be occupied by the applicant(s) as a principal residence for the minimum periods as follows:

- 1) 5 years if total of HOME funds is less than \$15,000;
- 2) 10 years if total of HOME funds is between \$15,000 and 40,000; or
- 3) 15 years if HOME funds is over \$40,000.

b. The recapture period shall commence on the date of the purchase. If the property is sold, transferred, or the purchaser ceases to occupy the property prior to the end of the recapture period, the principal balance of the HOME loan(s) shall be immediately due in full, or repaid subject to available NET proceeds upon sale.

F. UNDERWRITING

1. The city shall review the underwriting as provided by the Primary Lender as well as 2 months of source income documentation to ensure it meets HUD guidelines. This includes the determination of subsidy layering as outlined in 24 CFR 92.250. The Primary Lender's underwriting shall include the city's second mortgage and demonstrate the following conditions:

- a. monthly debt for principal, interest, taxes, insurance, and estimated rehabilitation loan shall not exceed 32% of the applicant(s) income;
- b. all debt shall not exceed 42% of applicant(s) income;

2. The city shall review the terms of the primary mortgage to ensure compliance with 24 CFR 92.254 (e)(3). Fees from primary lender will be reasonable and any city expenses related to this applicant will be recorded as project costs and not be charged to the homebuyer.

G. APPROVAL

1. PROGRAM QUALIFICATION ASSESMENT

The Community Development Office has responsibility for administration of the Home Buyer Program. Community Development reviews the underwriting as provided by the Primary lender and presents the loan request to the Program Director for approval based on achieving the national objective established in Part C, D and standards set under part F above.

H. PROGRAM ADMINISTRATION

1. 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.

2. Application Priority

Applications shall be processed on a first-come, first-served basis. CDO shall use the approval date of the loan committee to establish the order of priority for funding. The applicant will be notified if there is funding available to proceed with the project and if there is inadequate funding, then the application may be placed on a HOME waiting list.

3. Definitions

a. Household Income

- 1) When determining whether a household is income eligible, CDO will calculate annual income using the 1040 method as defined by the Office of Housing and Urban Development.
- 2) For the purpose of determining eligibility, CDO will confirm annual household income by projecting the prevailing rate of income of each person at the time assistance is requested. Estimated annual income shall include income from all household members.

3) Income may include wages, salaries, overtime, bonuses, fees, tips, commissions, interest and dividend income, net rental income, child support/alimony, Social Security benefits, SSI, retirement, pension or annuity, TANF, unemployment benefits, worker's compensation, and disability or benefits from any source.

b. Household includes 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.

c. 80% of Area Median Income is the maximum income a household can earn, adjusted by household size, in order to qualify as low- to moderate income and be eligible for the Homebuyer Program. Guidelines for Lewiston-Auburn SMSA are provided by the Office of Housing and Urban Development, and are revised annually.

d. Community Development Office staff (CDO) is the contact person designated as the City's representative to process loan applications in Auburn or Lewiston.

a. Purchase and Sales Agreement is the document executed by the applicant to purchase the chosen property.

b. Homebuyer Agreement is an agreement to be executed between the city and the applicant/homebuyer. This agreement includes the following:

1. Purchase price to ensure compliance with 24 CFR Part 92.254(a)(2)(i).
2. Housing is the principal residence of an income qualified homebuyer for the duration of the affordability period.
3. Amount and form of assistance.
4. Resale and recapture provisions applicable to the property.
5. Date by which the housing must be acquired (within 6 months of agreement).
6. Address and legal description of the property.
7. Duration of the applicable affordability period.

4. Application Procedures

This section shall set forth the procedures for administering the Homebuyer Program.

a. Applications

1) Priority -- Applications will be processed on a first come, first served basis. CDO shall establish a priority processing list based on the receipt date of a complete application.

2) Initial Application – An application may be obtained from the Community Development Office. A complete application shall include verification of income. An incomplete application will be returned to the applicant.

b. Income Verification –The applicant(s) shall provide Pre-approval letter from primary lender along with documentation of all income sources and a federal tax return. Income documentation cannot be more than 6 months old by the time of closing. CDO shall make a determination of preliminary eligibility based on household size and income.

c. Training

1) Landlord Training – If the property is a multi-unit building, the Applicant(s) shall attend a landlord education program.

2) Home Buyer Training -- The applicant(s) shall provide a certification of attendance at a HoMEworks approved homebuyer education program, or another HUD-certified housing counselor.

3) Post-Home Purchase Counseling – The applicant(s) will agree to meet annually for the first 3 years, or more frequently if necessary, to review the financial status of the applicant(s).

d. Identifying the Property - The applicant(s) will select a property for sale which is consistent with an affordability determination.

e. Purchase and Sales Agreement - The applicant will execute Purchase and Sales Agreement that includes a clause stipulating the sale is contingent upon financial approval from the City and primary lender.

f. Multi-Unit Property – If the property has rental units, the owner or realtor will be asked to secure tenant data and copies of the existing leases.

g. Initial Inspection – CDO shall make an initial inspection of the housing unit within a building to determine if the property meets housing standards including Lead Safe Housing Rule, accessibility requirements of 24 CFR Part 8, Section 504 of the Rehabilitation Act of 1973, and standards of the International Existing Building Code and Housing Standards. CDO will identify the required improvements in writing no earlier than 90 days prior to closing.

h. Housing Standards – Properties to be purchased through the Homebuyer Program must meet -Housing Standards including Lead Safe Housing Rule, accessibility requirements of 24 CFR Part 8, Section 504 of the Rehabilitation Act of 1973, and standards of the International Existing Building Code before purchase or completion of rehabilitation.

i. Financing Package – The applicant(s) will seek approval of the prime lender and HOME loan. CDO will submit the request to the Program Director for approval.

j. Notices

1) Acceptance—Applicant(s) will be notified of acceptance through a written Commitment Letter.

2) Rejection – If the request is rejected, CDO will notify the applicant(s) in writing and give the reason(s) for rejection, and the right to appeal the decision.

3) Tenant Notification -- Letters shall be sent to the tenants if there will be permanent displacement.

k. Insurance – The participant is required to maintain fire, liability and other hazard insurance on the property for the full term of the note and for an amount at least equal to the total value of all mortgages held on the property, or an amount at least sufficient to cover coinsurance requirements in the State of Maine. The City will be named as a mortgagee on the policy and the participant shall provide evidence of insurance.

l. Loan assumption

The HOME Loan is not assumable.

m. Subordination/Refinancing – Subordination of the HOME loan is generally not allowed. Exceptions will be made for documented emergencies on a case by case basis by CDO. CDO may request documentation in order to evaluate the request. Refinancing may be allowed for the following reasons:

- 1) limited to the existing first mortgage balance plus reasonable closing costs if refinancing places owner in a better economic situation and does not diminish the City's financial position in the property;
- 2) exorbitant medical expenses;
- 3) loss of husband/wife;
- 4) documented building system failure (two estimates from reputable contractors); or
- 5) legal expenses incurred that would affect the health or stability of the household.

n. Monitoring –CDO will monitor ownership during the recapture period. A default shall occur if the owner ceases to occupy or transfers the interest in the subject property or fails to respond to requests for occupancy documentation and the HOME loan shall come immediately due. CDO must retain records for 5 years after Period of Affordability ends, or full payoff of the balance, whichever is later.

o. IDIS Setup – The project will be set up in IDIS following the execution of a written homebuyer agreement with the homebuyer. The agreement must be executed prior to the commitment of funds within IDIS in accordance with 24 CFR 92.502(b). Within 120 day from final project drawdown beneficiary information entered into IDIS must match the information included in the Homebuyer agreement in accordance with 24 CFR 92.502 (d)(1).

p. The property title must be transferred to the applicant within 6 months of the commitment date as required by 24 CFR part 92.2 Definitions of Commitment to Specific Local Project.

I. FEDERAL AND STATE REGULATIONS, AS MAY BE AMENDED

- 1. Equal Employment Opportunity** – The applicant must abide by the Provisions of Executive Order 11246 concerning equal employment opportunity.
- 2. Flood Hazard Insurance** – If the property to be improved is located in a Designated flood hazard area, the applicant is required to provide evidence of flood hazard insurance coverage and abide by the regulations of the Flood Disaster Protection Act of 1973.
- 3. Civil Rights** – The applicant will be required to comply with Title VIII of the Civil Rights Act of 1968 and the Fair Housing Amendments Act of 1988, barring discrimination upon the basis of race, color, religion, creed, sex, handicap, familial status, or national origin in the sale lease rental, use or occupancy of the subject property.
- 4. Conflict of Interest** – No elected or appointed official or employee of the City of Auburn and no members of any municipal board or committee which exercises any decision-making functions with respect to the CDO, shall participate in negotiating or shall exercise any influences in awarding or administering any contract in which a direct or indirect pecuniary interest as defined by 30-A M.R.S.A. Section 2605.
- 5. Lead Based Paint** – If the project involves a property that was constructed prior to 1978, all Title X Lead Based Paint standards shall apply.
- 6. Environmental Review Procedures** -- The city shall conduct an environmental review including, but not limited to determination of whether the property is historically significant and whether the property is located in a flood zone, and shall communicate any findings and special considerations to the applicant.
- 7. Uniform Relocation Act** – The Homebuyer Loan Program shall comply with the Uniform Relocation Act with respect to tenants who may be permanently or temporarily displaced.

