

**Tooele County
Housing Authority**

**Down Payment Assistance
Policy & Information Packet**

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Section I Program Objectives

The Down Payment Assistance (DPA) program provides the opportunity for first time, low-to moderate income families the opportunity to own a home within Tooele County, Utah.

Section II Eligible Activities

The Tooele Housing Authority will use funds provided by the Community Development Block Grant (CDBG) to provide eligible applicants funds to be used for down payment and/or closing costs. Tooele Housing Authority will provide a up to \$10,000.00 grant/ loan for low-to-moderate income families to purchase a home.

Section III Ineligible Activities

DPA funds cannot be used for cash back, realtor's commissions and/or buy down points.

Section IV Home Buyer

Target Population

The population served will have income at or below 80% of the area median income as determined by the Department of Housing and Urban Development (HUD) and adopted by the Tooele Housing Authority.

Income Limits

No approved applicant will have an income of more than 80% the area median income as determined by HUD and adopted by Tooele Housing Authority (24 CFR, 92.2 (9)).

Application Process

1. Prospective buyers must begin by submitting an application with the Tooele Housing Authority. An incomplete application may be denied. A complete application will have the following:
 - All forms within the application packet must be completely filled out
 - All documents listed on the checklist must be turned in such as:
 - Proof of income for the previous 60 days
 - Copy of checking and savings account for the last 2 months
 - Last two years Federal Tax returns
 - Divorce decree if applicable
 - Bankruptcy documents if applicable
 - Birth certificates for all household members

- Social Security cards for all household members
 - Other documents as requested
2. The applicant may be asked to schedule an appointment with the Tooele Housing Authority staff to review the application.
 3. A short and informal interview of general questions regarding eligibility will be conducted. At the end of the interview, the Tooele Housing Authority staff will further explain the nature of the program and application process.
 4. A credit report will be requested from all applicants older than 18 years of age in order to establish a history of credit risk.
 5. The Tooele Housing Authority staff will submit the application to the Loan Committee (consisting of two board members and a staff person from Tooele County) for program denial and/or acceptance. The applicant will be notified within two weeks of submitting the application the status of the application.
 6. Once an application is approved, the applicant is required to complete one of the approved First Time Home Buyers class on finance and budgeting and submit a copy of certificate of completion.

After the applicant has been approved and the class certificate is turned in at our office, the applicant **may then** submit an offer on a property. Prior commitments, and/or offers made before being approved **and** completion of class will cause immediate disqualification for our program.

7. Your realtor will have to sign a statement declaring they have attended the orientation and understand how the program operates and are aware of the program guidelines and procedures. If they have questions, please have them call the Tooele Housing Authority. You will then utilize the services of a realtor to find a home.
8. Once, the applicant finds a home and an offer is accepted, the realtor, lender and/or title company must fax, email or hand deliver the below listed documents to the Tooele Housing Authority:
 - Executed Real Estate Purchase Contract (REPC)
 - Appraisal on property
 - Preliminary Title Report
 - Verification of Homeowner's Insurance
 - Income/mortgage analysis/DU Findings (lender document)
 - Pre-approval letter (lender document)
 - Good Faith Estimate (lender document)
9. Upon receipt of all the documents listed above, the Tooele Housing Authority will need no less than 15 business days to prepare for the loan closing. During the 15 business days; a Tooele Housing Authority inspector will make an appointment with your realtor or lender to inspect the home for the following:

- Housing Quality Standards (HQS) Form HUD-52580
 - Lead-based paint inspection
10. If the home passes all inspections, the closing documents will be processed and a check will be issued to the title company **before** closing takes place.
 11. The lender and/or title company is responsible for submitting the following documents to the Tooele Housing Authority following closing on the home:
 - Settlement statements clearly identifying where the grant funds were used
 - Lender affidavit (to be provided by the Tooele Housing Authority and signed by the lender regarding buyer/property qualifications)
 - A copy of the recorded First Trust Deed
 - Copy of the Title Policy on the First Trust Deed and any other accompanying closing documents
 - Signed and notarized Promissory Note, Trust Deed and Notice of Default
 - Other documents as requested
 12. The Tooele Housing Authority reserves the right to postpone a scheduled closing date due to any of the following:
 - Failed HQS inspection
 - Failed Lead-lead paint inspection
 - Incomplete/missing paperwork
 - Scheduling conflicts
 - Falsification and/or alteration of documents
 - Processing time for check request is not sufficient
 13. All files with no activity for the last 60 days may be closed at the discretion of the Tooele Housing Authority. If the applicant is still interested in the DPA program, he/she must re-apply and submit all required paperwork once again.

Financing Requirements

The applicant must be able to qualify for a fixed rate mortgage loan using: FHA, VA, or conventional financing. Applicants must qualify on their own credit (no co-signers). All co-applicants must be listed in the mortgage loan and their income will be counted as a part of the total household income.

No creative financing such as variable rate, adjustable rate, interest rate only, balloon payment, and/or 80/20 split will be allowed.

In addition, the applicant must contribute a minimum of \$1,000.00 (or sweat equity if participating in the Mutual Self Help Program) of their own monies toward the cost of the purchase of the home prior to closing.

Deed of Trust

The loan will be secured by a Deed of Trust (will secure a second position on title) which it will be signed by the home owner(s) of the property. The Deed of Trust and Notice of Default/Notice of Sale will be notarized, recorded and filed at the Tooele County Recorder's Office and a copy will be placed in the applicant's file.

Breach of Contract

Upon occurrences of any of the below stated items, the Tooele Housing Authority and/or its assignee reserves the right to demand the loan due immediately if:

- Any actual or attempted transfer, whether voluntary or involuntary, including by operation by law, or upon death of the undersigned of certain real property used to secure this note pursuant to at Trust Deed of even date herewith, signed by the undersigned (said real property is hereinafter referred to as "Secured Property")
- Any sale or attempted sale of the secured property.
- Any change in title of the secured property without prior approval of the Tooele Housing Authority
 - These changes might be, but are not limited to:
 - sale, lease, rent or abandonment of property
- The recipient no longer reside(s) at the secured property

Payment

The loan/grant must be repaid in full if the applicant sells, changes title, refinances or moves within the first five years from the closing date. If the recipient remains in the property for five or more years 25% of the grant amount must be repaid, with the remainder being forgiven.

Subordination Agreements

Tooele Housing Authority will only subordinate under hardship reasons. Hardship reasons include, but are not limited to the following:

- Job loss
- Income reduced
- Refinancing will eliminate unreasonable fees
- Catastrophic events
- Drop in interest rate by one (1%) percent or more

The homeowner will call to schedule an appointment to be able to meet with the Tooele Housing Authority staff to explain the reasons for requesting subordination. The homeowner must bring:

- Letter stating reasons of subordination
- Copy of Good Faith Estimate

- Letter from lender stating streamline refinance-no cash back, rate & term reduction loan only
- Copy of mortgage statement showing principal balance pay-off and interest rate
- Loan amount cannot exceed current principal balance plus reasonable fees (per FHA guidelines)
- Drop in interest rate by one (1%) percent or more (fixed rate-no ARMS's, buy downs, etc.)
- Income Analysis (MCAW) worksheet
- 1003 Application

The Loan Committee requests ten (10) business days after receiving all documents to review the subordination agreement and to make a final determination.

After approval, the subordination agreement must have the complete loan information filled in. The subordination is good for 30 days from the date of signature of the Tooele Housing Authority Executive Director. Any subsequent changes in lender or loan amounts need to be re-submitted to the Tooele Housing Authority Loan Committee for the review.

The homeowner also has the option to pay off the Tooele Housing Authority loan as a part of the refinancing.

Section V Limitations of Down Payment Assistance (DPA) Program

Availability of Funds

The DPA grant program fiscal year begins July 1st of each year. Funds are processed and given on a first come, first serve basis and/or depletion of funds. The Tooele Housing Authority has 45 loans available.

1st Time Homebuyer Eligibility

Each applicant is eligible to receive DPA only once in a lifetime, regardless of change in residence. An applicant can be considered a first time homebuyer as defined in the Code of Regulations (see below).

- Code of Regulations, Title 24, Chapter V, Part 572.5 (4-1-95 edition):
 - An individual who has had no ownership in a principal residence during the three year period ending on the date of purchase of the property - this includes a spouse
 - A single parent who has only owned with a former spouse while married
 - An individual who is a displaced homemaker and has only owned with a Spouse

Annual Income

The annual household income of applicants cannot exceed 80% of the area median income as determined by HUD and adopted by the Tooele Housing Authority. The annual gross income of the applicant's household shall be determined in accordance with the Code of Regulations 24 CFR 5.609 of the applicant's household.

- Annual income is defined as the “gross” income of all household members 18 years of age or older received during the last twelve (12) month period
- Annual income includes, but is not limited to:
 - The full amount before any payroll deductions of wages
 - Salaries
 - Social Security
 - Overtime pay
 - Commissions
 - Fees
 - Tips
 - Bonuses
 - Other compensation for personal services
 - Net income from the operation of a business or profession
 - Other income

Debt Ratio Guidelines

Tooele Housing Authority will use the following two types of debt ratios as guidelines:

- Front-End Ratio: The standard guideline is 31%. The front-end ratio is the gross income divided by the new PITI (principal, interest, taxes and insurance, Homeowners Association (HOA) and mortgage payment.
- Back-end Ratio: The standard guideline is 43%. This is the gross income divided by the new PITI mortgage payment and also the minimum monthly payments from the applicant's liabilities. The typical debts used to determine the qualifying back-end ratios are the minimum required monthly payments on all the following:
 - Auto loans
 - Student loans
 - Personal loans
 - Charge cards
 - Child Support
 - Alimony
 - Federal Tax Lien Repayment Schedules

Note: The standard ratio guidelines may change as per HUD guidelines.

Credit Report

A consumer credit report will be requested from Experian for all applicants older than 18 years of age. The participants FICO (Fair Isaac Company) score **must be 550** (excluding the MSH program participants) or more.

Section VI Property and Occupancy

Geographic Boundaries

The Community Development Block Grant (CDBG) monies are provided to eligible applicants on homes located within Tooele County.

Eligible Properties

- Eligible properties according to *CFR* Part 982.628:
 - The unit is either a one-unit property (including a manufactured home) or a single dwelling unit in a cooperative or condominium
 - Purchase of home where family will not own fee title to the real property, but only if:
 1. The home is located on a permanent foundation; and
 2. The family has the right to occupy the home site for at least forty years.

Qualifications of properties *CFR* Part 982.628 and 92.254

- Purchase price may vary.
- The home must have at least one prior owner/occupant to be eligible (new construction is not eligible for assistance unless approval is given by the Board of Commissioners prior to the date of application made by the applicant).
- The home must either be **vacant** for at least six months or **owner occupied** (homes which are currently being rented or have been **used as rentals in the last six months are not eligible** unless the tenant is purchasing the home).
- The home must pass minimum Housing Quality Standards (HQS) and Lead Based Paint Inspections.

Inspections

- Housing Quality Standards (HQS) Form HUD-52580

The Tooele Housing Authority Inspector will only inspect the property twice. If the property fails the first inspection, a second inspection will be provided. No additional inspections will be given and the property will be ineligible for assistance. Any failed items on the inspection requiring a licensed profession must be repaired by contractor and/or professional with a license. A copy of the inspection results will be mailed out to the applicant.

- **Lead Based Paint**

If chipping or peeling paint is found on or in the home or other structures on the property, you will be required to have the paint tested for lead. If lead is found in the paint, you will be required to have the lead based paint removed before the home will be eligible for assistance. The cost of the testing will be incurred by the buyers of the home and may be counted as a part of the \$2,000.00 buyer investment requirement.

Section VII Federal Requirements

Lead Disclosure

The Tooele Housing Authority staff will be responsible for discussing lead paint issues and providing the applicant with a “Protect Your Family From Lead in Your Home” booklet. The applicant will sign a form verifying they have received and discussed the lead information.

Fair Housing Equal Opportunity

The Tooele Housing Authority will do all business in accordance with the Equal Opportunity Federal Fair Housing Law (Title III of the Civil Rights Act of 1968, as amended by the Housing and Community Development Act of 1974).

The Tooele Housing Authority is an equal opportunity provider. The Tooele Housing Authority also promotes women and minority owned contractors to participate in the DPA Program.

Section VIII File Requirements

The Tooele Housing Authority staff will keep in the files, at minimum, all required documents which verify compliance with policy requirements such as, but not limited to:

- Applicant information
- Copies of proof of income
- Copies of income taxes
- Copy of Real Estate Purchase Contract (REPC)
- Copy of appraisal on property
- Copy of preliminary title report
- Copy of verification of homeowner’s insurance
- Copy of settlement statements
- Copy of lender affidavits
- Copy of trust deeds
- Copy of promissory note

- Copy of notice of default
- HQS and Lead Based inspections
- Application interviews
- Applicant's correspondence
- Other documentation that has been provided

The period of record retention for homebuyers is five years after reconveyance of Trust Deed.

Section IX Complaint and Mediation Procedures

All decisions of the Tooele Housing Authority are subject to an appeal by any of the parties involved. Owners, applicants and participants will be informed of their right to appeal any and all decisions made by the Tooele Housing Authority, the Tooele Housing Authority Loan Committee or any other agents of the Tooele Housing Authority. Appeals will be heard in an informal conference with the Tooele Housing Authority Executive Director and other parties involved.

Section XI Policy Modifications

Tooele Housing Authority shall have the authority to make modifications to this policy as necessary for the continued implementation of the DPA program including but not limited to:

- 1) Policy revisions necessary to do a change in the design of the DPA program and
- 2) Policy changes necessary due to the revisions in the rules and regulations of the CDBG monies as administered by the U.S. Department of Housing and Urban Development.

Section X Monitoring

The Tooele Housing Authority staff will check the DPA program files twice a year to monitor continued home ownership compliance. Tooele Housing Authority has the option to contact new owner and Mortgage Company to request for reimbursement of funds if our lien has not been properly released.