

# **WASHINGTON COUNTY HOMEBUYER ASSISTANCE PROGRAM**

## **CONSUMER GUIDELINES FOR HOMEBUYERS**

The U.S. Department of Housing and Urban Development (HUD) has made Community Development Block Grant (CDBG) and Home Investment Partnerships (HOME) funds available to Washington County and the Redevelopment Authority of the County of Washington (RACW) for projects and activities which principally benefit low-and moderate-income households.

Consistent with the objectives of the HUD Program, RACW has established a program to assist low-and moderate-income households to purchase single family detached affordable housing and to rehabilitate each house that is purchased. When funding is available from additional funding sources, additional financial assistance will be provided to low-income households.

The material that follows fully describes the mechanics of the Program and the procedures that must be followed in order to apply for and receive assistance under this program.

### **WHAT IS THE PURPOSE OF THE PROGRAM?**

First-time homebuyers will be assisted financially by RACW to attain homeownership through two loans that will be made to eligible applicants. The first loan is for down payment assistance, which is used to purchase a house to be occupied as a primary residence located in Washington County. The second loan is for rehabilitation assistance, which is used to make any repairs necessary for the house to meet the International Code Council (ICC) International Property Maintenance Code for existing houses upon completion.

### **WHO IS ELIGIBLE FOR THE PROGRAM?**

Any potential homebuyer who wishes to purchase a house in Washington County for their principal residence is eligible and may apply for assistance, if they meet the following qualifications:

- A homebuyer shall not have owned a house within the past three years unless he/she is a displaced homemaker.
- Annual household income may not exceed HUD's statistical guidelines for low- and moderate-income households.
- Low-income homebuyers must have a satisfactory credit history and the capability to obtain a 71% mortgage from a participating lending institution. We will secure a credit report.
- Moderate-income homebuyers must have a satisfactory credit history and the capability to obtain an 80% mortgage from a participating lending institution. We will secure a credit report.
- Homebuyers must have the capability to provide a 3% down payment at closing.
- Homebuyers must have successfully completed the homebuyer pre-purchase counseling class.
- The value of the house purchased cannot exceed \$152,000 after rehabilitation.

In accordance with the Fair Housing Act of 1988, the American Disabilities Act of 1990, the Equal Credit Opportunity Act, and the Rehabilitation Act of 1973, as amended; RACW does not discriminate on the basis of race, color, religion, sex, handicap, familial status, national origin, marital status, or age.

## WHAT ARE THE INCOME REQUIREMENTS FOR APPLICANTS?

Income categories have been established for participation in the Program in accordance with HUD's statistical guidelines. A household's annual income is defined as the adjusted gross income of all adults who will reside in the house to be purchased as reported on their yearly federal tax return, IRS Form 1040, with permissible adjustments by HUD. Maximum income allowances are adjusted according to the size of the family. Low income is defined as 50% of the local median income. Moderate income is defined as 80% of the local median income. Income may not exceed applicable limits at any time during the 6 month eligibility time period.

### INCOME GUIDELINES PER FAMILY SIZE

Household Size	1	2	3	4	5	6	7	8
Low Income 50% of Median	\$25,450	\$29,050	\$32,700	\$36,300	\$39,250	\$42,150	\$45,050	\$47,950
Moderate Income 80 % of Median	\$40,700	\$46,500	\$52,300	\$58,100	\$62,750	\$67,400	\$72,050	\$76,700

## WHAT IS THE PRE-PURCHASE COUNSELING CLASS?

Successful completion of a HUD approved homebuyer pre-purchase counseling class is required of all applicants. The comprehensive class prepares participants to obtain a mortgage, and purchase and maintain a home.

## HOW MUCH CAN AN APPLICANT BORROW?

Downpayment assistance will be provided to eligible low-income households, when funding is available, in the amount of 26% of the purchase price of the house plus the actual reasonable closing costs. When sufficient funding is not available for a 26% downpayment, downpayment assistance will be in the amount of 17% of the purchase price of the house plus the actual reasonable closing costs.

Downpayment assistance will be provided to eligible moderate-income households in the amount of 17% of the purchase price of the house plus the actual reasonable closing costs.

Rehabilitation assistance will be provided to eligible low- and moderate-income households that are approved by a lending institution to purchase a house. The amount to be loaned for home rehabilitation shall not exceed \$24,500. No additional funds will be made available.

## WHAT ARE THE REPAYMENT TERMS OF THE LOAN?

The loans made for downpayment assistance will be deferred loans at 0% interest, meaning that no monthly payments are required, but the principal amount of the loan will become due and payable when the first mortgage is paid off.

In accordance with HOME program regulations at 24 CFR Part 92, the assisted property must remain affordable during the affordability period, which is 10 years.

Upon any refinancing, sale or other disposition of the property, or the house does not continue to be the principal residence during the affordability period, RACW will recapture all or some of the HOME subsidy out of the net proceeds from the sale as outlined below. Net proceeds are defined as the sales price minus superior non-HOME loan payments, homebuyers contribution of the initial downpayment and closing costs, and any capital improvement investments made by the owner since the purchase

If the net proceeds are insufficient to repay the entire direct HOME subsidy, the recapture of HOME funds will be equal to the remaining balance of net proceeds, if any.

If excess net proceeds remain after repayment of the superior non-HOME loan, entire direct HOME subsidy, and closing costs, net proceeds will be shared as follows:

Affordability period	RACW share	Homebuyer share
Year 1	100%	0%
Year 2	90%	10%
Year 3	80%	20%
Year 4	70%	30%
Year 5	60%	40%
Year 6	50%	50%
Year 7	40%	60%
Year 8	30%	70%
Year 9	20%	80%
Year 10	10%	90%

After 10 years, there will be no sharing of net proceeds. The homebuyer will keep 100% of the net proceeds.

In the event of the property changing title due to foreclosure, RACW will **not** share any net proceeds from the sale. RACW will retain any remaining net proceeds following payment of the first mortgage. RACW shall have the right to first refusal to buy out the first mortgage from the primary lender in the event of foreclosure.

Upon any refinancing, sale or other disposition of the property following the affordability period, the loan provided by RACW and the additional mortgage assistance loan, where applicable, shall become due and payable immediately. In the event that the lending institution mortgage is paid off in full, the full amount of these loans shall become due and payable within ninety (90) days thereafter.

The loan will be secured by a Mortgage/Note, which will be subordinate to the first bank loan.

The loan for rehabilitation assistance is a deferred loan at 0% interest, meaning that no monthly payments are required, but the principal amount of the loan would become due and payable to RACW when the property is sold. A special provision of this loan is that this loan will be unconditionally forgiven at the rate of 10% of the loan amount each year if the borrower continues to own and occupy the property. After 10 years the loan will be entirely forgiven.

The rehabilitation loan will be secured by a Mortgage, which will be subordinate to the first bank loan, and any downpayment assistance loans received.

RACW will not subordinate either mortgage to allow additional debt to be placed ahead of RACW mortgages and, depending on the funding source, may not subordinate at all. Fees will be charged by RACW and solicitor to review and/or prepare subordination requests and documents. In the event RACW agrees to subordinate the mortgage(s), the amount of the new private mortgage cannot exceed the payoff balance of the existing loan plus reasonable closing costs of a mortgage of record ahead of RACW's Mortgage.

**HOW WILL THE AMOUNT OF DOWNPAYMENT ASSISTANCE BE CALCULATED?**

Low-income Homebuyer Example

Under provisions of the program, a low-income (50% of median) homebuyer will obtain a 71% mortgage and contribute a portion of the down payment that will be 3% of the purchase price. RACW will loan the homebuyer the remaining purchase price plus closing costs. The following example illustrates the cost breakdown:

\$50,000	Purchase price
- 35,500	Lending institution loan - 71% of purchase price (First Mortgage)
- 13,000	RACW loan – 26% of purchase price (second mortgage)
- <u>1,500</u>	Homebuyer down payment - 3% of purchase price
\$0	
+ 3,500	Estimated reasonable closing costs
+ <u>13,000</u>	RACW loan
\$16,500	Total RACW loan (closing costs + down payment assistance)

Moderate-income Homebuyer Example

Under provisions of the program, a moderate income (80% of median) homebuyer will obtain an 80% mortgage and contribute a portion of the downpayment that will be 3% of the purchase price. RACW will loan the homebuyer the remaining purchase price plus closing costs. The following example illustrates the cost breakdown:

\$100,000	Purchase price
- 80,000	Lending institution loan - 80% of purchase price (First Mortgage)
- 17,000	RACW loan - 17% of purchase price (Second Mortgage)
- <u>3,000</u>	Homebuyer downpayment - 3% of purchase price
\$0	

+ 4,500	Estimated reasonable closing costs
+ 17,000	RACW loan
<u>\$21,500</u>	Total RACW loan = Closing costs + downpayment

## **WHEN CAN AN APPLICANT GO TO A LENDING INSTITUTION?**

Upon the determination that an applicant has met the credit and income eligibility requirements, a conditional Letter of Eligibility from RACW will be issued to the applicant. This letter may be taken to one of the participating lending institutions. A list of lenders is enclosed. The Letter of Eligibility will state that an applicant is eligible, for a period of six (6) months, to receive downpayment assistance from RACW to purchase a house in Washington County **provided** the applicant successfully completes the homebuyer pre-purchase counseling class, can obtain a conventional mortgage from a lending institution, and provide the required portion of the downpayment. Applicants will be required to meet all of the lending institution=s criteria for obtaining a mortgage. RACW will not assist applicants in meeting the criteria of the lending institution.

## **WHAT HOUSES ARE ELIGIBLE FOR PURCHASE AND REHABILITATION?**

- The house must be a structurally sound, single family detached unit, or a single family unit that is part of a two, three, or four unit building, located in the County of Washington. Condominiums, mobile homes, double wide homes, and newly constructed housing units or housing units under construction will not be considered.
- If a house, being considered for purchase by the applicant, was a rental unit, it must have been vacant for at least 90 days prior to the sale. Rental units not vacant at least 90 days prior to the sale, will not be considered eligible for the program. However, when the applicant is the current tenant, the housing unit will not be required to be vacant for the 90-day period.
- All houses must be able to comply with the ICC International Property Maintenance Code for existing houses and all applicable codes, including state and local codes, after the house is purchased and after home rehabilitation is completed. The unit must also be free from all noted health and safety defects. If these codes and requirements cannot be met after home rehabilitation, the house will not be eligible.
- Houses located in a 100-year flood plain are not eligible.
- The house must meet the criteria established by Section 215 of Title II of the National Affordable Housing Act and the value of the unit may not exceed the Section 203 (b) Property Value Limits after the rehabilitation of the unit is completed. If the housing unit doesn't meet the criteria, it will not be considered for the program.
- RACW will inspect one house prior to purchase to ensure the house meets all of the necessary program requirements and to prepare the work specifications for rehabilitation of the house. RACW reserves the right to reject any and all houses that do not meet the necessary program requirements. If a house is rejected, another will be inspected.

## **WHEN WILL THE REHABILITATION OF THE PURCHASED HOUSE OCCUR?**

The rehabilitation contract documents will be executed on the same day as the closing of the house being purchased or soon after. The rehabilitation of the house will occur in accordance with the contract between the contractor and the homebuyer. HUD regulations require each home to be inspected for lead-based paint

hazards and to meet the ICC International Property Maintenance Code for existing houses. If lead hazards or code deficiencies exist, they must be corrected by the rehabilitation of the home by contractors who have completed the HUD approved lead safe work practices training.

### **WILL RACW SUBORDINATE THEIR MORTGAGES?**

When program funding sources permit, RACW may subordinate the down payment assistance and/or home rehabilitation mortgage(s) to allow program participants to take advantage of lower mortgage interest rates without satisfying their down payment assistance and/or home rehabilitation mortgage(s). The amount of the new private mortgage cannot exceed the payoff balance of the existing loan plus reasonable closing costs of a mortgage on record ahead of RACW's Mortgage(s). RACW will not subordinate to additional debt other than reasonable closing costs.

Processing fees, which are eligible closing costs, will be charged by RACW and our solicitor to defray the administrative costs associated with the review and/or preparation of documents submitted by lenders on behalf of homeowners looking to refinance their primary mortgage.

### **WHO WILL ADMINISTER THE HOMEBUYER ASSISTANCE PROGRAM?**

REDEVELOPMENT AUTHORITY OF THE COUNTY OF WASHINGTON  
100 West Beau Street, Suite 603  
Washington, PA 15301

### **QUESTIONS?**

Please call **724-228-6875** to speak with a member of RACW's Home Improvement Department.

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