

HIGHLAND RIDGE HOMEBUYER ASSISTANCE PROGRAM GUIDELINES FOR HOMEBUYERS

The U.S. Department of Housing and Urban Development (HUD) has made Community Development Block Grant, 24 CFR Part 570, and HOME Investment Partnership Program, 24 CFR Part 92, funds available to Washington County and the Redevelopment Authority of the County of Washington (Authority) for projects and activities which principally benefit low and moderate income households.

Consistent with the objectives of HUD, a Redevelopment Proposal was developed for the Highland Ridge neighborhood within the City of Washington. The Proposal provides for the acquisition, assemblage, demolition of structures, and the construction of twenty-five (25) new houses. The Authority has established a program to assist low and moderate-income households to purchase the newly constructed single-family affordable houses in the Highland Ridge neighborhood.

WHAT IS THE PURPOSE OF THE PROGRAM?

The objectives and purpose of the Program are to assist homebuyers in attaining their goal of home ownership by providing financial assistance for the purchase of newly constructed houses in the Highland Ridge neighborhood within the City of Washington.

WHO IS ELIGIBLE FOR THE PROGRAM?

Any potential homebuyer who wishes to purchase a house in the Highland Ridge neighborhood within the City of Washington is eligible if she/he meets the following qualifications:

- Annual household income may not exceed HUD's statistical guidelines for low- and moderate-income households.
- Homebuyers must have the financial capability to provide cash payment of 2% of the purchase price of the house. The purchase price of the house will be approximately \$85,000; the actual price will be determined by an appraisal.
- Homebuyers must obtain a mortgage loan from a participating lending institution for the maximum amount they can afford to pay, but in no event will the mortgage loan be less than \$52,700.
- The homebuyer must have a satisfactory credit history as determined by the program.
- A minimum cash payment of 2% of the purchase price of the house is required from homebuyer's own funds at or before closing.

- Homebuyers must have successfully completed a HUD approved homebuyer pre-purchase counseling class

In compliance with Section 504 of the Rehabilitation Act of 1973, as amended, RACW does not discriminate on the bases of handicap, in admission to, or treatment, or employment in, the federally assisted programs and activities.

WHAT ARE THE INCOME REQUIREMENTS AND HOW DO I DETERMINE HOUSEHOLD SIZE?

An applicant must be a low-to-moderate income person, family, or household as defined by HUD’s Median Family Income guidelines. Household size is defined as the number of persons who will occupy the housing unit purchased through the Homebuyer Assistance Program.

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 Form1040, 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

Max Low Income (50% of median)	1	2	3	4	5	6	7	8+
	26,600	30,400	34,200	38,000	41,050	44,100	47,150	50,200
Max Mod. Income (80% of median)	1	2	3	4	5	6	7	8+
	42,600	48,650	54,750	60,800	65,700	70,550	75,400	80,300

*All income figures are subject to change.

Annual income will be determined by using the calculated for Aadjusted gross income as outlined in the IRS Tax Return Form 1040 and any adjustments per HUD regulations. To determine eligibility, the Authority will verify the income(s) of the resident adults using source documentation such as wage statements, interest statements, and unemployment compensation. Since income is based on anticipated income, RACW will consider any likely changes in income that may occur during the next six months.

Household income will be determined at the time the homebuyer’s application and income documents are reviewed for participation in the program. This income determination is good for

a six-month time period. If the closing on a house does not take place within six months following the determination, the income must be re-determined. If the income is at 80% of the median family income or below, the homebuyer may continue participation in the program. However, if the income exceeds 80% of the median family income, the homebuyer may not participate in the program.

ARE THERE CREDIT ELIGIBILITY REQUIREMENTS?

- The homebuyer must have a satisfactory credit history as determined by the program.
- A homebuyer's credit history will be reviewed and, if satisfactory, the homebuyer's income will be verified and determined not to exceed 80% of the median family income.
- If the homebuyer's credit history will not allow him to secure the necessary lending institution loan, he will not be eligible to participate, but may reapply to the program after his credit has been repaired.

HOW MUCH CAN AN APPLICANT BORROW FROM A PRIVATE LENDER?

A homebuyer will secure a loan with a participating lending institution of at least \$52,700. The maximum amount of the loan will be based on their ability to pay.

- The term of the loan will be a maximum of 30 years.
- RACW will not pay mortgage broker fees.

HOW MUCH CAN AN APPLICANT BORROW FROM THE REDEVELOPMENT AUTHORITY?

Homebuyers are required to pay 2% of the purchase price of the house. RACW shall loan the homebuyer a downpayment amount not to exceed the remaining difference between the purchase price of the house and the total amount of the mortgage loan plus the homebuyers cash downpayment.

RACW will loan a homebuyer a maximum of three months mortgage interest to be placed in escrow of the lending institution and reasonable closing costs. Also, RACW will provide a grant to the homebuyer of an amount that is equal to the difference between the purchase price and the actual cost of the construction of the home. The grant does not have to be repaid.

WHAT ARE THE TERMS AND CONDITIONS OF THE RACW’S MORTGAGE?

RACW’s loan will be deferred at 0% interest (meaning no monthly payments will be required during the term of the lending institution loan), but the total principal will become due and payable when the lending institution loan is paid in full or when the property is sold, refinanced, or other disposition of the house is made prior to the end of the term of the lending institution.

RACW’s loan will be secured by a mortgage and note that will be subordinate to the lending institution’s loan. When program funding sources permit, RACW may subordinate the RACW Mortgage to allow program participants to take advantage of lower mortgage interest rates without satisfying the RACW Mortgage. 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 or RACW’s Mortgage. RACW will not subordinate to additional debt other than reasonable closing costs. Processing fees will be charged by RACW and RACW’s solicitor for the review and/or preparation of the documentation necessary to determine if a mortgage subordination request meets the policy.

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.

ARE THERE ANY COSTS IF I SELL, REFINANCE OR DISPOSE OF THE HOUSE BEFORE THE TERM OF THE LENDING INSTITUTION’S LOAN HAS EXPIRED?

Yes, this is referred to as the resale of property and recapture of funds. In accordance with HOME Program regulations at 24 CFR Part 92, the assisted property must remain affordable during the affordability period. Under Recapture provisions, this period is based on the direct HOME subsidy to the homebuyer and includes down payment assistance, Agap financing, and interest rate buy-downs as available.

The HOME affordability periods are as follows:

Less than \$15,000 subsidy	5 years
\$15,000 - \$40,000 subsidy	10 years
More than \$40,000 subsidy	15 years

Upon any refinancing, sale or other disposition of the property 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 repayments, homebuyers contribution of the initial down payment, and any closing costs.

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	Authority share	Homebuyer share
Year 1	100%	0%
Year 2	14/15	1/15
Year 3	13/15	2/15
Year 4	12/15	3/15
Year 5	11/15	4/15
Year 6	10/15	5/15
Year 7	9/15	6/15
Year 8	8/15	7/15
Year 9	7/15	8/15
Year 10	6/15	9/15
Year 11	5/15	10/15
Year 12	4/15	11/15
Year 13	3/15	12/15
Year 14	2/15	13/15
Year 15	1/15	14/15

* After 15 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, the 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 of 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-days (90) thereafter.