



Community Development Division
Homebuyer Assistance Program Guidelines
 2018-19 Program Year

INTRODUCTION

The Community Development Division has administered the Homebuyer Assistance Program (HAP) since 1992 to help low and moderate-income families purchase their first home. Funds are provided as a secured forgivable loan at 0% interest for 5 years and the note is forgiven on a monthly basis. The loan balance is payable upon the sale, home equity loan, lease, some refinance loans, or transfer of title. The program is funded through federal grants from the U.S. Department of Housing and Urban Development and is available on a first-come first-serve basis as long as funding is available. Guidelines are subject to change based on changes to the federal regulations. Any questions should be addressed to the Community Development Division.

Community Development Division
 601 E. Hickory, Suite B, Denton, Texas 76205
 Phone Number: (940) 349-7726
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MINIMUM HOUSEHOLD REQUIREMENTS

Must meet all of the requirements to participate in the Program:

1. Be a U.S. citizen or a legal resident.
2. Be first-time homebuyer: a) Have not owned a home in the past three years; b) Displaced single parents; c) Own a substandard mobile home.
3. Household gross income cannot exceed the following income limit.

Family Size	Maximum Income	Family Size	Maximum Income
1	\$43,250	5	\$66,700
2	\$49,400	6	\$71,650
3	\$55,600	7	\$76,600
4	\$61,750	8	\$81,550

4. Contribute a minimum of 1.75% of the sales price toward the purchase of a home.
5. Household must also have cash reserves of one month of mortgage payments in their checking, savings account, or any other assets after buyer contribution.
6. Qualify for a mortgage loan from a Participating Loan Officer. The program has restrictions on interest rate, debt-to-income ratio, and type of loans. Non-occupant co-borrowers or co-signers are not eligible.
7. Liquid assets must be less than \$10,000 (not including retirement accounts, i.e. IRA's, 401K plan, etc.).
8. Agrees to live in the home as their primary residence during the five year term of forgivable loan.
9. Attend a HUD-approved homebuyer education program. See page 4 for a list of agencies that offer homebuyer education classes.

PROPERTY REQUIREMENTS

1. Residential property must be located inside the city limits and includes existing or newly constructed single-family residence, condominium or townhouse. Mobile homes and manufactured homes are not eligible properties. The maximum sale price is \$225,000.
2. Property must be occupied by the owner, buyer, or vacant at contract signing. Rental property is eligible when the tenant has been notified in writing prior to contract signing that the home might be sold or the tenant is in the process of vacating.
3. Homes built prior to 1970 may be eligible for homebuyer assistance if the major systems of the house have been upgraded. The major systems include: electrical systems, plumbing systems, including water and/or sewer lines, roof replacement, heating, ventilation, and air conditioning (HVAC) and if needed pier and beam foundation stabilization. If a pre-1970 home has not received these upgrades, the Major Systems Replacement Program may be available as a deferred loan.
4. The Seller must agree to the terms and conditions in the "Notice to Real Property Owner."
5. The property must be safe, decent and sanitary. **An independent home inspection must be completed by a State Licensed Home Inspection Company.** In addition to the Home Inspection, Staff will also perform an inspection of the house to ensure that the house meet the program's property standards. A list of program required repairs will be provided. Funds will not be released until all the items of concern have been addressed. Staff will complete a final inspection on the property prior to closing.
6. Any structure built before 1978 must be free of any deteriorated paint. The City of Denton will conduct a visual assessment of pre-1978 houses to determine the condition of the paint. If the visual assessment shows deteriorated paint, the paint will need to be stabilized and a clearance test conducted by trained workers in accordance with Federal lead-based paint requirements for safe treatment.
7. The buyer and seller must have independent real estate representation prior to negotiating terms. The buyer's real estate representation is required to be the list of Participating Realtors.
8. Funds up to \$10,000 are available to assist homebuyer with program required repairs. These funds are separate from the down payment and closing costs assistance. The following are specifics on the repair funds:
 - This assistance for repairs is available in a grant.
 - Properties in the 100-year floodplain or floodway are not eligible for this assistance.
 - **Repair funds are not available for lender-required repairs, since these repairs are required to be completed prior to closing or required to be in an escrow account at closing.**
 - Staff will complete work specification and cost estimate of the required program repairs before bids are requested.
 - Contractors with the minimum liability insurance may perform the work.
 - Staff will seek a minimum of three bids from interested companies.
 - The work specification, cost estimates and bids will be completed prior to closing.
 - Repairs will be completed after closing and before the buyer(s) move into their home.

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9. It is recommended that the house contain adequate number of bedrooms.

Max Family Members	No. of Bedrooms	Max Family Members	No. of Bedrooms
1	0/Efficiency	8	4 Bedrooms
2	1 Bedroom	10	5 Bedrooms
4	2 Bedrooms	10+	6 Bedrooms
6	3 Bedrooms	8	

ASSISTANCE AVAILABLE

Assistance of up to \$14,900 is available to assist first-time homebuyers with the following:

1. Closing Costs: HAP will only assist with normal and customary buyer’s closing costs and prepaids. Check with your mortgage company for specific eligible and non-eligible closing costs.
2. Down Payment: HAP will assist with the minimum down payment required by the Participating Lender such as 3½ percent down payment for FHA loans and 5 percent for most conventional loans.
3. Principal Reduction Funds: Principal reduction funds can only be used to assist in the difference between the sales price of the house and the maximum loan the buyer can afford above the minimum down payment. An affordable payment is considered to be about 30% of household income based on program calculation. The household cannot carry debt of more than 43% of their monthly household income.

Please make sure to talk to your mortgage company about applying for these funds. The mortgage company will need to submit your application to the City of Denton for approval of all funds, including principal reduction. City of Denton recommends that you and your mortgage company receive a preliminary approval before making an offer on a home.

TERM OF LOAN/REPAYMENT OF FUNDS

1. Term of Loan: The term of the loan is 5 years. The buyer(s) are required to live in the home as a principal residency for a minimum of 5 years to comply with the program requirements.
2. Repayment of HAP funds: The assistance is forgiven on a monthly basis. For example: If the assistance is \$10,000 for a 5-year term, every month the homebuyer lives in the home the loan balance will be reduced by \$166.67 per month or 1/60 of the loan amount. The HAP lien is released at the term of the loan, once all the funds have been forgiven. However, in the following circumstances the City of Denton will require that the HAP assistance be repaid:

Situation of Repayment	Terms of Repayment
Transfer or sale of the property	Repayment of loan balance from net proceeds ¹ . If net proceeds are not sufficient to repay balance, it can be reduced to available net proceeds at sale.
Foreclosure	
Transfer in lieu of foreclosure	

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Situation of Repayment	Terms of Repayment
Home equity or Cash-Out refinance	Repayment of full amount of assistance
Property ceases to be owner-occupied	Repayment of full amount of assistance.
Lease of property	Repayment of full amount of assistance.
Discovery of misrepresentation of fraud	Repayment of full amount of assistance.
¹ Net proceeds are defined by HUD as the sale price less closing costs and mortgage payoff.	

3. **Refinance Loans:** The Homebuyer Assistance Program will approve a refinance loan for a HAP buyer in order to lower the interest rate a minimum of 1.5%, or reduce the loan term as long as the payment remains affordable.
4. **Non-Assumable:** The loan from the City of Denton is not assumable. The loan must be paid in full upon the sale or transfer of the property.

PROCESS TO RECEIVE ASSISTANCE

The following is the process to receive assistance, if you meet all of the eligibility criteria:

1. Attend an 8-hour HUD or Fannie Mae approved homebuyer education workshop. The following are agencies that currently offer homebuyer education classes in the Metroplex:

Name of Agency	Avail	Phone Number to Register
Dallas Home Loan Counseling Center	Three days in the evening in English and Spanish	(214) 819-6060 or www.dallascounty.org/department/hhs/homeloan.html
Transformance	First Saturday of every month in Dallas. Classes available in English & Spanish	www.transformanceusa.org/transformance-homebuyer-workshop or (800) 249-2227
BCL of Texas	Saturday class in Dallas	https://bcloftexas.org/homeownership/classes or (214) 688-7456
Tarrant County Housing Partnership	Classes Available in English and Spanish in Arlington and Fort Worth	www.tchp.net/programs_services/education.html or (817) 924_5091

2. **Contact a HAP Participating Lender from the approved list.** The lender will determine if you qualify for a mortgage loan and determine your preliminary eligibility for the program. Your mortgage company will submit the necessary paperwork to the program for consideration under the HAP program. A preliminary approval is good for three months and can be extended for an additional two months with a signed earnest money contract. See attached.

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3. Contact a Participating Realtor from the approved list. The realtor can assist you in finding your home, based on the lender's loan qualification. Once you have selected your home, the realtor can also assist you in entering into a purchase agreement. Please note that it is not necessary to utilize the services of a realtor to receive assistance. See attached.
4. HAP lender will submit your HAP application. Once you have obtained preliminary loan approval and entered into a purchase agreement, your lender will submit your application to the program for down payment and closing costs assistance. You will NOT have to submit an application directly to the City.
5. When the buyer's application is received, the Community Development Office will begin processing the request for assistance. An outline of our functions follows:
 - A. Information is reviewed for completeness and accuracy and an eligibility check is performed.
 - B. Review independent home inspection and request any needed repairs. Conduct a visual assessment of pre-1978 houses to determine presence of deteriorated paint. Conduct an environmental review on property.
 - C. Determine amount of HAP assistance from Settlement Statement and wire funds to title company. Assistance is subject to completion of repairs. Notify Lender, Title Company and buyer of assistance.
 - D. Conduct a final inspection of the property.
 - E. Prepare and submit HAP Deed of Trust and Promissory Note to title company for closing.

CLOSING REQUIREMENTS

On the day of closing, the buyer(s) will be required to sign the following legal documents for the HAP program.

1. Promissory Note: The promissory note states that the buyer(s) must comply with the following conditions:
 - a. Buyer(s) agrees to reside in the house for the term of the forgivable loan of 5 years from the date of promissory note.
 - b. Buyer(s) agrees to maintain the property in safe and sanitary condition.
 - c. Buyer (s) agrees to pay all mortgage payments, taxes and other assessments on the property in a timely manner.
2. Deed of Trust: A security instrument that allows the City of Denton to place a lien on the property for the term of the loan and for the amount of assistance. At the end of the term of the loan the entire grant will be forgiven. At that time, the City of Denton will file a Release of Lien with the Denton County Clerk's Office.

CONFLICT OF INTEREST REQUIREMENTS

In accordance 24 CFR 92.356 and 24 CFR 570-611, applicants can be denied participation in the City's Homebuyer Assistance Program if a conflict of interest exists. A conflict of interest exists if an applicant is an employee, agent, consultant, officer, elected official and appointed official of the City of Denton and if within the past 12 months, and of the following three statements applies to any of the applicants:

1. Exercises or who has exercised any function or responsibilities with respect to funds for this program.
2. Participates or has participated in the decision making process related to funds for this program
3. Is or was in a position to gain inside information with regards to program activities.

NON-DISCRIMINATION REQUIREMENTS

The program will be implemented in ways consistent with the Title VIII of the 1968 Civil Rights Action as known as the Federal Fair Housing Law. The law makes illegal any discrimination in the sale, lease or rental of real property based on race, color, religion, handicap, national origin, familial status or gender.

APPEALS PROCESS

Complaints or an appeal on a program decision may be in writing or verbally to the Community Development Manager. Responses to each complaint will be determined within 15 days of receipt of the complaint. Complaints received verbally may receive a verbal response over the telephone or a meeting may be set up to discuss the complaint and the response. Documentation of the call or the meeting will be placed in the appropriate project files. Some verbal complaints may receive written responses. All written responses will be completed and mailed within 15 days from the receipt of the written complaints. Applicants may direct comments or complaints:

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PROGRAMMATIC WAIVERS

The City Manager or his designee, upon determination of a good cause, may waive any guidelines not otherwise required by the funding source, City ordinance or policy. Each such waiver must be requested in writing and must be supported by documentation of the pertinent facts and justifications.