

Down Payment Assistance Program Community Partner Meeting

Develop Louisville
Office of Housing and Community Development
July 12, 2018





Develop Louisville

- Quality of place
- Planning and design services
- Construction review and permitting
- Real estate acquisition/ development/disposition
- Housing and VAP initiatives
- Clean, green and sustainable efforts



Develop Louisville

Jeff O'Brien,
Director

David Marchal,
Deputy Director

Housing &
Community
Development
Gabe Fritz

Vacant &
Public
Property
Administration
*Laura
Grabowski*

Advanced
Planning
*Gretchen
Milliken*

Planning
& Design
Services
Emily Liu

Redevelopment
Strategies
Jeana Dunlap

Brightside
*Gina
O'Brien*

Sustainability
Maria Koetter



Housing & Community Development

- Develop and maintain housing choices across Louisville. Federal, state, and local funding sources including Louisville Cares

Vacant and Abandoned Public Properties

- Real estate acquisition and disposition of vacant and underutilized properties for reinvestment

Construction Review

- New construction permitting and inspections

Planning & Design Services

- Development review for Land Development Code – zoning and form, historic preservation. Comprehensive Plan



Advanced Planning

- Organizes and implements advanced planning efforts including Vision Louisville, Move Louisville and other transformative projects

Brightside

- Directs community engagement in Clean and Green projects, education, One Bright City

Sustainability

- Promotes conversations and initiatives regarding environment and social & economic prosperity. Sustain Louisville



Down Payment Assistance Program History

- The Office of Housing and Community Development has invested over \$950,000 in federal HOME funds
- From July 2016 to June 2018 over 50 families were able to realize their dream of owning a home with the Office of Housing and Community Development's Down Payment Assistance Program. The homes purchased by these families span 12 zip codes and 12 Metro Council District



What is the Down Payment Assistance Program?

Program that provides potential low-income homebuyers with down payment and closing cost assistance. It is in the form of a forgivable second Mortgage and Note.



Down Payment Assistance Program Fiscal Year 2017/2018 Funding

\$400,000.00 available to assist homebuyers

- Applications will be accepted on a year round basis upon the availability of funds.
- COMPLETED applications are processed on a first come first serve basis. Funding CANNOT be reserved for a potential homebuyer.

Down Payment Assistance is NEED based!

- Potential homebuyers will be individually underwritten by Metro to determine their debt capacity and the amount of down payment assistance they may be eligible to receive.



Down Payment Assistance Program Eligibility Requirements

Assistance is open to all potential homebuyers (single or married) looking to purchase a new or existing home in the Louisville Metro area

Do not have to be first time homebuyers, but **MUST** be credit and income qualified.



Income Limits Effective July 2018

Persons in Household	1	2	3	4	5	6	7	8
30%	\$15,050	\$17,200	\$20,780	\$25,100	\$29,420	\$33,740	\$38,060	\$42,380
50%	\$25,050	\$28,600	\$32,200	\$35,750	\$38,650	\$41,500	\$44,350	\$47,200
60%	\$30,037.50	\$34,350	\$38,625	\$42,900	\$46,350	\$49,800	\$53,212	\$56,662.50
80%	\$40,050	\$45,800	\$51,500	\$57,200	\$61,800	\$66,400	\$70,950	\$75,550

All applicants must be at or below 80% of the median income.



Down Payment Assistance Program Eligibility Requirements

Complete housing counseling from a HUD-Certified Counseling Agency. Pre-purchase counseling is offered by Louisville Urban League and eHomeAmerica.com

- Homebuyer must complete a minimum of 6-8 hours (depending on the counseling agency).

There shall be no unpaid collections on the credit report for the homebuyer(s) and no un-discharged bankruptcies. If the homebuyer has filed bankruptcy the bankruptcy must be discharged at least one year prior to applying for down payment assistance.

Metro will allow homebuyer(s) to have up to \$10,000 in medical collections and still qualify for the program.



Down Payment Assistance Program Eligibility Requirements

Homebuyer(s) must be able to financially contribute to the purchase of the property through, at minimum, the payment of prepaid expenses, the good faith deposit, and payment of a Recording Fee of \$36.00 to Metro.

- The homebuyer(s) good faith deposit **must** be credited against the purchase of the home, **and under no condition will funds from the closing will result in cash back to the homebuyer(s).**
- The homebuyer(s) financial contribution must equal a minimum amount of **\$500** (does not include Recording Fee) and
- Metro encourages the homebuyer to personally provide at least 2% in down payment.



Down Payment Assistance Program Eligible Properties

- The home purchased must be occupied as the principal, primary residence of the homebuyer(s).
- The home purchased must be a single-family residence, condominium or co-op unit.
- The property purchase price may not exceed the HOME Homeownership Value Limits established by HUD

EXISTING HOMES

1-unit \$152,000.00	2-unit \$195,000.00	3-unit \$236,000.00	4-unit \$292,000.00
------------------------	------------------------	------------------------	------------------------

NEW HOMES

1-unit \$224,000.00	2-unit \$286,000.00	3-unit \$347,000.00	4-unit \$430,000.00
------------------------	------------------------	------------------------	------------------------



Down Payment Assistance Program Eligible Properties

- Potential homebuyers are encouraged to purchase and rehabilitate vacant and abandoned properties (VAP). Must obtain a FHA 203(k) mortgage to finance the rehabilitation of the house and ensure property standards are met prior to occupancy of the house.



Down Payment Assistance Program Underwriting

Down Payment Assistance is NEED based!

- Potential homebuyers will be individually underwritten by Metro to determine their debt capacity and the amount of down payment assistance they may be eligible to receive.
- The homebuyer(s)' house payment (front end ratio) may not exceed 30% of monthly income and back end ratio may not exceed 50%.
- The maximum amount of Down Payment Assistance per homebuyer will be no more than 20% of the purchase price, but also based on the need the individual buyer.
- Homebuyer(s) who are participating in the Section 8 Homeownership program are eligible to participate in the Homebuyer Assistance Program. Metro will work with the Louisville Metro Housing Authority (LMHA) in order to supplement the assistance provided by LMHA to bring a homebuyer(s) housing payment, which shall include the LMHA's utility allowance, to 30% of the homebuyer's monthly income.



Down Payment Assistance Program Underwriting

- If the homebuyer has **student loans** in deferment the Housing Program Coordinator will calculate 1% of the outstanding balance on the loan or the monthly payment reported on the homebuyers credit report.
- The Case Review Board convenes every Thursday. Clients Application for Home Purchase packets must be received by Tuesday in order to be presented to the board on Thursday. Notifications of board decisions will be sent by Friday COB. The client and interested parties will be notified if board meeting dates or notification dates are changed.



Down Payment Assistance Program Underwriting

Liquid Assets

- If after the homebuyer(s) has contributed the minimum required homebuyer contribution (\$500.00) towards the purchase of the home, homebuyer(s) has liquid assets of \$15,000.00 or more, they will be required to utilize the difference between the balance of their liquid assets and \$15,000 towards the purchase of the home.
Example:

Homebuyer's Liquid Assets	\$25,000
<u>Minimum Homebuyer Contribution</u>	<u>- \$500</u>
Amount Remaining	\$24,500
<u>Maximum Amount of Liquid Assets</u>	<u>- \$15,000</u>
Additional Required Homebuyer Contribution	\$9,500



Down Payment Assistance Program Ineligible Homebuyers, Households and Properties

A homebuyer(s)' application will be denied under certain circumstances. Some circumstances are listed below:

- After all verification of all household income, verification of employment, and the household exceeds HUD income guidelines;
- Homebuyer who has non-medical debt in collections, more than \$10,000.00 in medical collections, unpaid charge-offs, and unresolved disputed items on credit report
- Homebuyer who needs a co-signer to obtain a first mortgage
 - The homebuyer cannot receive first mortgage financing from Lending Institution;



Down Payment Assistance Program Ineligible Homebuyers, Households and Properties

A homebuyer(s)' application will be denied under certain circumstances. Some circumstances are listed below:

- The homebuyer does not need the assistance. (The program is a need based program intending to provide gap financing to homebuyers);
- Property fails lead inspection*;
- Property fails inspection due to code violations and seller will not agree to make necessary repairs*;
- Property does not appraise for contract price**
- Homebuyer has selected to purchase a modular/manufactured/mobile home
- Home is in a floodplain



Down Payment Assistance Program Ineligible Homebuyers, Households and Properties

- If the homebuyer makes any misrepresentations, misstatements or fraudulent claims in connection with participation in the down payment assistance program.
- * Excludes VAP in which lead based paint abatement and code violations will be handled through rehabilitation via a FHA 203(k) loan.
- ** Excludes VAP in which after rehabilitation value can be utilized.



Down Payment Assistance Program Request for an Appeal

- If a homebuyer(s) feels their application has been unreasonably denied, they can submit a *Request for an Appeal* form to the Down Payment Assistance coordinator. The appeal decision will be made by the supervisor of the Down Payment Assistance Program and the Office of Housing and Community Development Director.



Down Payment Assistance Program Mortgage Amounts and Terms

- On Mortgage amounts of **\$14,999.00 or less** the period of affordability is five, **(5), years**. 100% of the Note amount shall be forgiven at the end of the fifth year from the date of the Note and the Mortgage
- On mortgages of **\$15,000.00 up to \$39,999.00**, the period of affordability is ten, **(10), years**. If the homebuyer(s) does not violate any of the terms listed within the mortgage, then on the sixth year from the date of the mortgage twenty percent (20%) of the Note shall be forgiven. This will continue for each full year from the sixth (6th) through the tenth (10th) year of the "Loan Term", with the entire amount being forgiven after ten (10) years. At the completion of the ten (10) years, the Mortgage given to secure the Note shall be released.



Down Payment Assistance Program Mortgage Amounts and Terms

- On mortgages of **\$40,000.00 or greater**, the period of affordability is **fifteen, (15), years**. If the homebuyer(s) does not violate any of the terms listed within the mortgage, then on the sixth year from the date of the mortgage ten percent (10%) of the Note shall be forgiven. This will continue for each full year from the sixth (6th) through the fifteenth (15th) year of the "Loan Term", with the entire amount being forgiven after fifteen (15) years. At the completion of the fifteen (15) years, the Mortgage given to secure the Note shall be released.
- The approved amount of assistance may be used for down payment, closing cost and pre-paids.



Down Payment Assistance Program Additional Requirements

- The homebuyer(s) must occupy the property as their primary residence for the entire “Loan Term” or period of affordability. If the homebuyer fails to occupy the property as their primary residence, 100% of the loan amount will become payable to Louisville Metro Government. During the period of affordability, if there is a sale of the property, whether voluntary or involuntary, the un-forgiven portion of the loan of HOME Funds must be repaid to Metro, but only to the extent that Net Proceeds (as hereafter defined) of the sale are sufficient to pay the un-forgiven portion of the loan of HOME Funds. Any remaining balance after the recapture of the Net Proceeds of sale shall be forgiven. If Net Proceeds of the sale exceed the amount necessary to fully repay the loan of HOME funds, the excess shall be paid to the homebuyer. If there are no net proceeds or net proceeds are insufficient to repay the HOME recapture amount, Metro may recapture an amount of subsidy less than or equal to the net proceeds available. “Net Proceeds” is the sale price (whether voluntary or involuntary) minus the repayment of any superior loans (other than HOME Funds) and any closing costs



Down Payment Assistance Program Closing Requirements

- The home must meet the property standards set by the Louisville/Jefferson County Metro Government Code of Ordinances. **The home to be purchased must pass an inspection conducted by a Louisville Metro Housing Inspector.**
- An **appraisal** of the property must be performed and the appraisal must include an estimate of the fair market value. This Fair Market Value is the amount used when Metro performs their underwriting. The appraisal must also include an as-is value of the property.
- A **title report** must be obtained to show proof that the seller(s) have legal or equitable title to the property and can give a lien on the property. It also identifies all mortgages, liens, judgments, and conveyances that affect the current property and furnishes the legal description needed to prepare the Mortgage.
- Copy of **Insurance Declaration Page** listing Louisville Metro Government – Develop Louisville as additional loss payee



Down Payment Assistance Program Closing Requirements

- The Closing Disclosure (formerly HUD 1 Settlement Statement), received from closing attorney) is **needed three (3) business days prior to scheduled closing** to review and approve before loan is executed. If the closing disclosure is not received three business days prior to the scheduled closing, **the closing will be delayed to allow time for the document to be reviewed.**
- After the closing, a copy of the signed Note must be submitted to the Down Payment Assistance Program.

Your lending institution may be prohibited from participating in the Down Payment Assistance Program if the terms of the Mortgage or Note have been altered after final approval from your lending institution or from the Down Payment Assistance Program.



Down Payment Assistance Program Objectives, Goals and Incentives

As an incentive for homebuyers (when funds are available), those that meet one or more of the program goals will be eligible to receive greater than the minimum -amount of assistance established per their underwriting for their commitment to achieving the goals of the program. Homebuyers are eligible to meet more than one goal and receive the corresponding incentive. Based on each homebuyer a minimum of \$500 and a maximum of \$15,000.00 can be earned in incentive. The objectives, goals and incentives of Metro's Homebuyer Assistance Program are as follows:

- **Objective:** Assist homebuyers in becoming informed consumers in order to successfully navigate real estate transactions and to understand the responsibility of homeownership in order to assist in preventing future foreclosures
- **Goal:** Homebuyer(s) completes pre-purchase homebuyer counseling from a HUD-Certified Counseling Agency and can provide a certificate of completion.
- **Incentive Amount \$500.00 (*If funds are available)**



Down Payment Assistance Program Objectives, Goals and Incentives

- **Objective:** Incentivize the purchase of homes by low to moderate income residents in areas to encourage mixed-income neighborhoods and the de-concentration of poverty.
- **Goal:** Homebuyers that select a home in a mixed income area
- **Incentive Amount:** \$1,500.00 (*If funds are available)

- **Objective:** Incentivize homeownership in Metro's Neighborhood Revitalization Strategy Areas (NRSA);
<https://louisvilleky.gov/government/housing-community-development/public-notice-federal-plans-and-project-compliance>
- **Goal:** Homebuyer selects a home in Metro's NRSA area
- **Incentive Amount:** \$5,000.00 (*If funds are available)



Down Payment Assistance Program Objectives, Goals and Incentives

- **Objective:** Encourage reinvestment in Louisville Metro's vacant and abandoned properties
- **Goal:** Homebuyer whose loan type is a 203K.
- **Incentive Amount:** \$10,000.00 (*If funds are available)

*DPA funding and incentives are based on fund availability and cannot be guaranteed.

**Down payment and incentives will not exceed 20% of the purchase price.

***Section 8 to Homeownership clients are not eligible for incentives



Down Payment Assistance Program

203K Loans

Below is a checklist for clients who decide to utilize a 203K loan for their home purchase. It's ideal that a client selects a 203K home that is still within their budget after construction cost. Please keep in mind the maximum amount of down payment assistance will be 20% of the purchase price. Funding is not guaranteed.

1. If the homebuyer decides to utilize a 203K loan, Metro will conduct an inspection prior to board approval. It is preferable the housing inspector and the contractor assess the home at the same time. If that is not possible the Metro housing inspector will conduct the inspection and submit required repairs to the homebuyers' realtor.
2. The contractor hired to complete rehabilitation work must be in good standing with Codes and Regulations and Revenue Commission. The homebuyers' realtor will be responsible for ensuring the contractor and the homebuyers lender receives notification of the required repairs. The contractor will add Metro required repairs to the scope of work submit to homebuyers' lender.



Down Payment Assistance Program 203K Loans

3. Homebuyers' lender will create or revise the bank application (1003 form) to reflect the total construction cost and submit to the down payment assistance coordinator.
4. The down payment assistance coordinator will prepare the homebuyers file for case review board.
5. If the board approves, we will have a closing prior to the completion of repairs. All repairs must be complete and receive a final pass inspection within 6 months of the completion date or in accordance with mortgage terms, whichever is shorter.



Down Payment Assistance Program

How to apply?

Applications are available:

- **On our website**
 - <https://louisvilleky.gov/government/housing-community-development/down-payment-assistance-program>
- **In our office**
 - Louisville Metro Government – Develop Louisville Homebuyer Assistance Program
444 S. 5th Street 5th Floor
Louisville, KY 40202

Due to the confidential nature of our documents, we stress that the completed application be mailed or hand delivered.



Down Payment Assistance Homeownership Forum

Free
Marketing!

Register as a
VENDOR!!



Develop Louisville
Office of Housing and Community Development

Down Payment Assistance Homeownership Forum

WHEN: SATURDAY July 14, 2018, 11:00 a.m. to 2:00 p.m.
WHERE: MEMORIAL AUDITORIUM - BALLROOM
970 SOUTH 4th STREET, LOUISVILLE, KY 40202



The Down Payment Assistance Program is available to homebuyers that are looking to purchase an existing or newly constructed home in the Louisville Metro area. You do not have to be a first time homebuyer to qualify, however, all homebuyers must be credit and income qualified.

This meeting is free and open to the public. Lenders, realtors and counselors are also welcome to set-up a vendor table. All participants must register by **5pm on July 12th, 2018!**
Space is limited, go to <https://louisvilleky.gov/government/housing-community-development/down-payment-assistance-program> to sign up or call 502-574-4608.



Register as a
VENDOR!!

More
Clients!

Down Payment Assistance Program

Q&A

