

Down Payment Assistance Program Homeownership Forum

Develop Louisville
Office of Housing and Community Development
July 14, 2018



What is the Down Payment Assistance Program?

Program that provides low to moderate 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.

Currently accepting applications

- **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.
- Down payment assistance program does not allow co-signers



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.org
 - 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
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NEW HOMES

1-unit \$228,000.00	2-unit \$292,000.00	3-unit \$353,000.00	4-unit \$438,000.00
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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 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)
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- **Objective:** Incentivize homeownership in Metro's Neighborhood Revitalization Strategy Areas (NRSA);
<https://louisvilleky.gov/government/housing-community-development/public-notices-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)



Down Payment Assistance Program Underwriting

Down Payment Assistance is NEED based!

- 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.
 - **Example: Purchase Price \$132,000.00 x .20 = \$26,400.00**
- The Down Payment Assistance program will not allow homebuyers to pay more than 30% of their annual income towards housing.

How to determine 30% of your income.

Example: $\frac{\text{Annual Income}}{12} = \text{Monthly Income}$

Monthly Income x 30% (.30) = MAX MORTGAGE PAYMENT

This number represents how much house you can afford.

Tracey's annual income is \$37,050.00

$\frac{\$37,050.00}{12} = \$3,087.50$ (Tracey's monthly income)

$\$3,087.50 \times .30 = \926.25

Tracey's maximum mortgage payment is **\$926.25.**



Down Payment Assistance Program Underwriting

- The homebuyer(s)' house payment (front end ratio) may not exceed 30% of monthly income and back end ratio may not exceed 50%.

How to calculate your front end ratio

Tracey's max mortgage payment is \$926.25. She has found a home and her proposed mortgage is \$875.00. Tracey's monthly income is \$3,087.50

EXAMPLE: $\frac{\text{Proposed mortgage}}{\text{monthly income}} = \text{front end ratio}$

$$\frac{\$875.00}{\$3,087.50} = .28$$

Tracey's front end ratio is 28%



Down Payment Assistance Program Underwriting

- The homebuyer(s)' back end ratio may not exceed 50%.

How to calculate back end ratio

- Add all monthly payments of debt reported on credit report including proposed house payment
- Multiply that by 12. This number is your total annual debt .
- Divide the total annual debt by annual income. This number is your back end ratio. In our example Tracey's annual income is \$37,050.00

EXAMPLE: Tracey has \$25 credit card payment, a \$260 car payment and a proposed house payment of \$875.00.

Step 1. $\$25.00 + \$260.00 + \$875.00 = \$1,160.00$ (monthly payment of debt per credit report & mortgage)

Step 2. $\$1,160.00 \times 12 = \$13,920.00$ (annual debt)

Step 3. $\frac{\$13,920.00}{\$37,050.00} = .375$

Tracey's back end ratio is below 50% at .375 rounded to 38%.

Tracey's front ratio is 28% and her back ratio is 38%



Down Payment Assistance Program Underwriting

- Homebuyer(s) who are participating in the Section 8 Homeownership program are eligible to participate in the Down Payment 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.
 - **Calculations of front and back end ratios for section 8 clients will vary from the previous example. See the Section 8 representative for your specific calculations.**
- 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.



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 Mortgage Amounts and Terms

- On Mortgage amounts of **\$14,999.00 or less** the period of affordability is five, **(5), years**.
- On mortgages of **\$15,000.00 up to \$39,999.00**, the period of affordability is ten, **(10), years**.
- On mortgages of **\$40,000.00 or greater**, the period of affordability is **fifteen, (15), years**.



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 Program

- Only COMPLETED application packets (including all attachments) will be processed. If all information is not received, the application packet will be returned to applicant. Please note that staff will not make copies of your original documents. SUBMIT COPIES ONLY! Original documentation will not be returned.
- **Staff is not available to see you without an appointment.** If you would like to set up an appointment, or if you have any questions, need assistance with your application, or would like to know the status of your application, please contact The Office of Housing and Community Development at (502) 574-1974

