



**DEVELOP LOUISVILLE
OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT
DOWN PAYMENT ASSISTANCE PARTNER PACKET**



Greetings: Lending Institutions, Real Estate Agents, Non-Profit Organizations, Home Builders and Counselors!

Louisville Metro Government is offering an exciting opportunity to encourage homeownership throughout the Metro area! The Down Payment Assistance Program is available to any household at or below 80% of the median income limits adjusted for family size and also are credit eligible. The guidance offered by your agency to potential homebuyers is a key piece in achieving the goals of the Homebuyer Assistance Program. Your partnership in this program is valuable and we appreciate your agency's dedication to assisting low to moderate income residents achieve homeownership. I encourage you to read through this packet as it continues valuable information.

All applicants must be income and credit qualified in order to qualify for the Homebuyer Assistance Program. Applicants will be notified of their eligibility upon processing of an application. Applications are processed in the order they are received. **Processing an application may take up to 30 days.** If your client's application is incomplete, you and your client will be notified of the missing documentation, but the application will not be processed. **Only COMPLETED application packets (including all attachments) will be processed.** Please note that staff will not make copies of your original documents. **SUBMIT COPIES ONLY! Original documentation will not be returned. Please do not print application double sided.**

Once an applicant qualifies, applicants are encouraged to engage a Realtor (if not already done so) and begin searching for a home. **It is preferable the client qualify for the Down Payment Assistance Program PRIOR TO locating a home to purchase** If your client is submitting an application **with** an executed contract, their application may be deemed ineligible for assistance, unless the homebuyer is purchasing a home constructed by a CHDO or that is a part of a development supported, in whole or in part by, Metro financing. Additionally, the realtor will need to extend the sales contract to accommodate 6-8 weeks of DPA program processing an application. Staff is not able to "fast-track" applications.

Income and credit qualification DOES NOT guarantee assistance to an applicant. Final amount of homebuyer assistance, if any, will be based upon each individual applicant's need in relation to the purchase of a specific property and how the purchase of the property helps to achieve the goals of the Homebuyer Assistance Program. Metro does not have a waiting list and Metro does not reserve funds being requested for assistance. The program is based upon a first come, first serve basis, subject to case review board approval.

Due to the confidential nature of our documents, we stress that the completed application be mailed or hand delivered. Please return completed application packet to: Louisville Metro Government – Develop Louisville Attn: Homebuyer Assistance Program 444 S. 5th Street 5th Floor Louisville, KY 40202.

Please staff is not available to see clients without an appointment. Many of the appointment requests are requesting assistance in completing the application. If possible please assist your client in gathering required information and guiding them through the application. Your assistance will ultimately assist in the reducing incomplete applications and processing time.

Thank you!



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Eligible Homebuyers/Households

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

- Homebuyer(s)' gross income must be **80%** or below of the area median income adjusted for family size, as determined by HUD. **There shall be no unpaid collections on credit report for the homebuyer(s) and no undischarged 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.

Effective April 1, 2018

Persons in Household	1	2	3	4	5	6	7	8
30%	\$15,050.00	\$17,200.00	\$20,780.00	\$25,100.00	\$29,420.00	\$33,740.00	\$38,060.00	\$42,380.00
50%	\$25,050.00	\$28,600.00	\$32,200.00	\$35,750.00	\$38,650.00	\$41,500.00	\$44,350.00	\$47,200.00
60%	\$30,037.50	\$34,350.00	\$38,625.00	\$42,900.00	\$46,350.00	\$49,800.00	\$53,212.50	\$56,662.50
80%	\$40,050.00	\$45,800.00	\$51,500.00	\$57,200.00	\$61,800.00	\$66,400.00	\$70,950.00	\$75,550.00

- Potential homebuyers must complete housing counseling **prior** to applying for assistance. All applicant(s) must attend homeownership counseling classes from a HUD certified counseling agency and are also encouraged to adopt the National Industry Standard for Homeownership Education and Counseling (www.homeownershipstandards.com). A minimum of six (6) to eight (8) hours of pre-purchase counseling is required, however more than the minimum may be necessary for a homebuyer upon determination by the Housing Counseling Agency

Homeownership Counseling Agencies

NID-HCA - (502) 810-9200

Louisville Urban League - (502) 585-4622

Online Course www.ehomeamerica.org or any other HUD-Certified counseling agency

- Eligible households include all persons single or married. **Married couples** must complete homeownership counseling and be determined income/credit eligible to participate in the program.
- Applicant(s) must obtain first mortgage financing through a local lender. If the lender is not local, they must be FHA approved. *(No adjustable rate or pre-payment penalty mortgages will be accepted.)*
- 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).**



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OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT
DOWN PAYMENT ASSISTANCE PARTNER PACKET**



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.

Eligible Properties and Ownership

- The Homebuyer(s) must occupy the home purchased as their principal, primary residence for the term of the Mortgage. Mortgage terms are 5 – 15 years, depending upon the amount of homebuyer assistance.
- Potential homebuyers are encouraged to purchase and rehabilitate vacant and abandoned properties (VAP). Funding can be utilized toward the rehabilitation of a vacant and abandoned property if a potential homebuyer utilizes a FHA 203(k) mortgage or similar product.
- 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 or Louisville Metro Housing Authority.
- Assistance is provided in the form of a forgivable second Mortgage and Note in the Louisville Metro area which will be recorded together, in the Office of the Jefferson County Clerk.
- A five-year lien is placed on loans under \$15,000. One hundred percent (100 %) of the Note amount shall be forgiven at the end of the five year “Loan Term”.
- A ten-year lien is placed on loans over \$15,000 - \$39,999. After the expiration of five (5) years from the date of the Note, twenty percent (20 %) of the Note amount shall be forgiven 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 from the date of the Note.
- A fifteen-year lien is placed on loans over \$40,000 and over. After the expiration of five (5) years from the date of the Note, ten percent (10 %) of the Note amount shall be forgiven for each full year from the sixth (6th) through the fifteen (15th) year of the “Loan Term”, with the entire amount being forgiven after fifteen (15) years from the date of the Note.
- Homes eligible for down payment assistance must meet the Home Ownership Value Limits.

EXISTING HOMES

Home Ownership Value Limits

Effective April 1, 2018

1-unit	2-unit	3-unit	4-unit
\$152,000.00	\$195,00.00	\$236,000.00	\$292,000.00

NEW HOMES

Home Ownership Value Limits

1-unit	2-unit	3-unit	4-unit
\$228,000.00	\$292,000.00	\$353,000.00	\$438,000.00



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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;
- Homebuyers front end ratio is above 30% and/or their back end ratio is above 50%
- 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 home
- Home is in a floodplain
- 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.

Appeal Process

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.

Metro Underwriting and Case Review Board

- 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 of 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.
 - The monthly subsidy will be subtracted from the monthly mortgage payment.
- 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.
- If a homebuyer(s) has liquid assets of \$15,000.00 or more, they will be required to contribute the difference between the balance of their liquid assets and the total amount allowed by the program (\$15,000) towards the purchase of home
- 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

7/24/2018



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dates or notification dates will need to be moved.

Program Objectives, Goals, And Incentives

Upon submitting a completed Home Purchase Packet, the amount of assistance available to a Homebuyer(s) will be determined and approved by the case review board. The amount of assistance is based upon homebuyer(s)' need and goals of the Homebuyer Assistance Program. There is no guarantee the applicant will receive assistance. The case review board may deny assistance to an applicant.

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 \$20,000.00 can be earned in incentive. The objectives, goals and incentives of Metro's Homebuyer Assistance Program are as follows:

Objective	Goal
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	Homebuyer(s) completes pre-purchase homebuyer counseling from a HUD-Certified Counseling Agency and can provide a certificate of completion. Incentive Amount \$500.00 <i>(*If funds are available)</i>
Incentivize the purchase of homes by low to moderate income residents in areas to encourage mixed-income neighborhoods and the de-concentration of poverty	Homebuyers that select a home in a mixed income area will earn * Incentive Amount \$1,500.00 <i>(*If funds are available)</i>
Incentivize homeownership in Metro's Neighborhood Revitalization Strategy Areas (NRSA); https://louisvilleky.gov/government/housing-community-development/public-notice-federal-plans-and-project-compliance	Homebuyer selects a home in Metro's NRSA or within a development financed in whole or in part by Metro funds Incentive Amount \$5,000.00 <i>(*If funds are available)</i>
Encourage reinvestment in Louisville Metro's vacant and abandoned properties	Homebuyer whose loan type is a 203K. Incentive Amount \$10,000.00 <i>(*If funds are available)</i>

***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**



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203K Loan

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.
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.

Inspection Process and Best Practices

- The home must meet the property standards set by the Louisville/Jefferson County Metro Government Code of Ordinances. If the board approves the homebuyer for funding, the down payment assistance coordinator will request an inspection from Metro Housing Inspector.
- Metro Housing Inspector will have seven business days to schedule the inspection. Louisville Metro Housing Authority (LMHA) will conduct the inspection for clients receiving Section 8 (please contact that office for inspection process)
- Following are code violations that commonly fail during the initial inspection.
 - Electrical, HVAC, furnace or water heater missing a sticker. (Add requirement for sticker and phone to departments to obtain permit, etc
 - Entry doors have the thumb turn
 - Water detected under bathroom or kitchen sinks or in basement
 - All doors and windows must open and close



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Lender Guidelines and Closing Requirements

Guidelines

- The sum of all financing may not exceed the total cost to acquire the home.
- The approved amount of assistance may be used for down payment, closing cost and pre-pays.
- Lending institutions must follow responsible lending practices including the guidelines set out by the Consumer Financial Protection Bureau's (CFPB) Ability-To-Pay Principals. No adjustable rate or pre-payment penalty mortgages will be accepted
- Once the Note (fixed rate) has been prepared, a copy of the Note must be submitted to the Homebuyer Assistance Program for review.
- Insurance and taxes must be escrowed into first mortgage. Louisville Metro Government – Develop Louisville should be listed as second loss payee on homeowners' insurance policy. PLEASE MAKE SURE THAT THE FULL LEGAL NAME OF THE HOMEBUYER(S) IS LISTED ON THE INSURANCE DECLARATION PAGE

Closing Requirements

- 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
- Closing Disclosure (formerly HUD-1) should be emailed to our office **at least THREE BUSINESS DAYS prior to the closing**. If the Closing Disclosure is not received 3 business days before the closing, the closing will be delayed.
- After the closing, a copy of the signed Note must be submitted to the Down Payment Assistance Program.
- **Lending institution(s) may be prohibited from participating in the Down Payment Assistance Program if the terms of the Mortgage, Note or Closing Disclosure have been altered after final approval from the Down Payment Assistance Program.**



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APPLICATION PROCESS

Completed applications are processed and reviewed on a first come first serve basis

