

***MAY 1, 2019***



HOME BUYER DOWN PAYMENT ASSISTANCE  
(DPA) PROGRAM  
PROGRAM POLICY AND UNDERWRITING GUIDELINES

EFFECTIVE JULY 1, 2019

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CITY OF GREENSBORO  
HOUSING CONNECT GSO  
**Homebuyer Down Payment Assistance Program**  
**PROGRAM POLICY AND UNDERWRITING GUIDELINES**

## PROGRAM POLICY

### 1.0 PROGRAM OBJECTIVE

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The City of Greensboro Homebuyer Down Payment Assistance Program provides assistance to low- and moderate-income persons and families for the purchase of a home, to be used as the primary residence, within the City limits of Greensboro. The objective of the program is to:

- provide thorough knowledge of homeownership through homebuyer education and counseling,
- ensure that the applicant buyer is ready to acquire housing and can sustain homeownership, and
- assist with funding deficiencies by providing down payment and closing cost assistance.

These objectives are accomplished by working with local lenders and the City of Greensboro’s contracted homebuyer assistance provider.

The current contracted Housing Connect GSO Homebuyer Down Payment Assistance provider is:

**Housing Consultants Group**  
**1031 Summit Avenue**  
**Greensboro, NC 27405**  
**336-850-4043**  
**[hcgconnect@housingconsultantsgroup.org](mailto:hcgconnect@housingconsultantsgroup.org)**

### 2.0 FUNDING SOURCE AND AVAILABILITY

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#### 2.1 FUNDING AVAILABILITY

Funds are provided by City Housing Bond funds and the United States Department of Housing and Urban Development (HUD). HUD funds are awarded to the City of Greensboro through the HOME Investment Partnership Program. The City’s grant period is July 1 – June 30 of each year. Funds are processed and given on a first come, first served basis to eligible applicant buyers until program funding is depleted.

HOME funds will be used for properties built after 1978 with a maximum household area median income (AMI) of 80%. City Housing Bond funds will be used for properties built in any year with a household AMI of up to 120% for 1-2 person households or up to 140% for 3+ person households.

## **2.2 LEVERAGED FUNDING/OTHER FUNDING SOURCES**

Any other funding sources used in the purchase transaction must have a firm, written commitment, and must be disclosed on the offer to purchase contract and/or residential mortgage application or other approved written documentation with all terms and conditions disclosed.

## **3.0 AMOUNT OF ASSISTANCE**

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### **3.1 FUNDING AMOUNT(S)**

The amount of program assistance is based upon income, household size, and the applicant buyer's needs. Eligible homebuyers may receive up to \$10,000 for down payment and closing cost assistance in any area within Greensboro city limits.

Eligible homebuyers purchasing homes in one of the City's approved Redevelopment Areas are also eligible for a \$5,000 (Bond funded) bonus for down payment assistance. The currently approved Redevelopment Areas are: Arlington Park, Eastside Park, Gorrell Street, Ole Asheboro, Phillips Lombardy, South Elm Street, and Willow Oaks.

Please refer to the [Redevelopment Area map](#) on the Housing Connect GSO website for the boundaries of the eligible areas or call the City for address confirmation.

Factors used in determining assistance amounts:

- Applicant buyer financial resources
- Contract purchase price
- Debts
- Other source funding availability
- Loan program type
- Seller contribution
- Loan discounts/fees
- Housing and Debt to Income Ratios

### **3.2 MAXIMUM ASSISTANCE AMOUNT**

Unless special circumstances or programs apply, the maximum amount of assistance is \$10,000.00; however, the program will only provide the maximum amount of funds needed by the applicant buyer.

When the applicant buyer is purchasing a home in one of the City's approved Redevelopment Areas, the maximum amount of assistance is \$15,000.00. File documentation must clearly indicate the applicable Redevelopment Area where the grant funds are used.

The City's financing cannot exceed 20% of the purchase price.

### **3.3 MINIMUM ASSISTANCE AMOUNT**

The minimum amount of assistance allowable is \$1,000.00.

## 4.0 ELIGIBILITY

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To qualify for assistance, buyers must meet the preliminary eligibility criteria as follows:

### 4.1 RESIDENCY

Applicant buyer(s) must be a US citizen, permanent resident, or have Deferred Action for Childhood Arrival (DACA) status. Due diligence for confirming citizenship and/or residency status and compliance with federal and other requirements for mortgage loan financing for borrowers is the responsibility of the City’s contracted homebuyer assistance provider.

### 4.2 FIRST-TIME HOMEBUYER STATUS

The applicant buyer must be a first-time homebuyer or cannot have owned a home within the last three (3) years – ([Code of Federal Regulations 24 CFR 572.5](#)). The buyer may not own any other real property or have an ownership interest in any real estate at the time of closing (i.e. vacation homes, timeshares, and vacant land).

However, if the applicant is buying a new or existing home in one of the City’s Redevelopment areas, they do not have to be a first-time homebuyer. Applicant buyers must occupy the property within 60 days of signing the security instrument.

### 4.3 PRIMARY RESIDENCE

The applicant buyer must occupy the home as a principal residence during the loan term or the HOME period of affordability; whichever is greater. For assistance less than \$15,000, a 5-year affordability period is required. A declaration of restrictions will be signed at closing acknowledging this condition. Sale or rental of the property will be an event of default of the loan terms.

### 4.4 INCOME LIMIT

The applicant buyer’s income cannot exceed 120% of the area median income (AMI) for households with two or fewer people or up to 140% AMI for households with three or more people. Income limits are calculated annually based on HUD-approved area median incomes.

Income limits for 2019 are listed below and are subject to annual updates.

**2019 Income limit for 1 and 2 person households: \$72,600**

**2019 Income limit for 3 or more person households: \$84,700**

*Current income limits are also available [online](#) or by contacting program staff.*

## 5.0 CALCULATION OF INCOME

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### 5.1 DETERMINING ANNUAL INCOME

The HUD Part 5 definition of annual income will be used for the Homebuyer Down Payment Assistance Program. *Annual income* is defined as the gross annual income of all adults expected to live in the residence being financed, including income received by any household member who is 18 years of age or older (except a full-time dependent student, 12 credit hours or more).

Income sources used for establishing the annual gross income of the applicant buyer’s household shall be determined in accordance with the [Code of Federal Regulations 24 CFR 5.609](#)

(which also lists income “*Inclusions*” and “*exclusions*”). All income is projected for 12 months to calculate income compliance (regardless of its likelihood to continue).

## 5.2 VERIFICATION OF INCOME

Written verification of all household members over the age of 18 is required, and will be used to determine total household annual income. Household members with no income will be asked to sign an affidavit of no income. If the person is a student, a current transcript must be provided. Household income will not be re-verified at the time of closing unless more than six months have elapsed since income eligibility was determined. Verification of income includes the following documents as proof of income:

- Three years of tax transcripts
- Two concurrent months of paystubs
- Verification of employment
- Profit and loss statement (if self-employed)
- Supplemental income award letters (i.e. Social Security, Supplemental Security Income, Social Security Disability, etc.)
- Other income documentation as may be required

## 6.0 GENERAL PROGRAM REQUIREMENTS

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### 6.1 PROGRAM LIMITATIONS

Greensboro Homebuyer Down Payment Assistance Program funds may be used in conjunction with other programs (*example: North Carolina Housing Finance Agency’s Home Advantage Mortgage Program*). In no case will the City’s lien position be lower than third without City Council approval. City funds are subject to a maximum of 20% of the purchase price of the home. The Homebuyer DPA Program allows for a **15-day** turnaround from the Lender application submission to program approval.

### 6.2 HOMEBUYER EDUCATION CLASS

All applicant buyers must receive housing counseling before receiving Homebuyer DPA Program Funding [[Code of Federal Regulations 24 CFR §92.254\(a\) \(3\)](#)]. A minimum of eight (8) hours of in-person, City-approved classroom education (no online courses) and an intake counseling session is required. The homebuyer education class is required for anyone listed on the Deed of Trust. If the client has already completed the class, the certificates are valid for one year and the applicant buyer must maintain the certificate as proof of attendance. Applicant buyers who complete education more than 12 months prior to closing must either re-take a homebuyer education course or participate in a refresher session with a certified housing counselor.

### 6.3 PRE-APPROVED PROFESSIONALS: LENDERS

Lenders interested in working with applicant buyers participating in this program must contact the City’s contracted homebuyer assistance provider prior to the applicant buyers application or by the time of application. Lenders must have a physical, mortgage origination branch/office in North Carolina for at least one year in order to participate in the Homebuyer Down Payment Assistance Program.

Professionals must receive program education, certification, and prior program approval. Certified and approved lenders will be placed on a list provided monthly to participants of the



Homebuyer Education Class.

#### **6.4 REAL ESTATE REPRESENTATION**

Applicant buyers must have realtor representation. Applications without real estate representation (i.e. for sale by owner) are not eligible for Homebuyer DPA Program assistance.

#### **6.5 NON-DISCRIMINATION**

In the delivery of City programs, services or activities there shall be no discrimination against any member of the public on the basis of sex, race, gender, color, ethnicity, national origin, age, familial status, marital status, military status, political affiliation, religion, physical or mental disability, genetic information, sexual orientation, gender expression, or gender identity.

#### **6.6 DISABILITIES**

Any individual with a disability who needs an interpreter, or other auxiliary aids must contact the City's contracted homebuyer assistance provider to make the request 3-5 days prior to the meeting or event. The office and standard meeting location are handicapped accessible.

#### **6.7 TRANSLATION**

Any individual with Limited English Proficiency who needs an interpreter, or other auxiliary aids must contact the City's contracted homebuyer assistance provider to make the request 3-5 days prior to the meeting or event. Telephone translation service may be available. For meetings or document review, a family member or friend over the age of 18 may act as an interpreter.

See [City of Greensboro Language Access Plan](#) for full details.

## **7.0 INSPECTIONS**

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### **7.1 REQUIRED PROGRAM INSPECTION – MINIMUM HOUSING INSPECTION**

The purpose of the minimum housing code program inspection is to ensure the property presents no issues(s) that pose a health and safety threat to the applicant buyer(s) upon purchase of the property. The inspection is basic in nature, and in no way replaces a home inspection. It is recommended to each applicant buyer to obtain a home inspection.

A licensed home inspector may inspect each property for compliance with the City of Greensboro's Minimum Housing Code and fill out the required checklist documenting property conditions. Prior to loan closing, the property must comply with Minimum Housing Code Standards. The Realtor submits inspection and due diligence documentation.

### **7.2 HOME/ PEST/ SEPTIC INSPECTIONS AND HOME WARRANTIES**

Home inspections, pest inspections, and septic inspections are eligible expenses and may be covered by program funds. One-year home warranties are also an allowable program expense. It is the responsibility of the applicant buyer to request and schedule any inspections. Repairs must be documented and the Due Diligence Form must be received prior to closing.

## 8.0 LOAN CLOSING REQUIREMENTS

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### 8.1 LIEN – SECURING PROGRAM FUNDS

Assistance is provided in the form of a 0% interest second mortgage for a period of five (5) years. 20% of the original loan amount is satisfied each year that the applicant buyer complies with the terms of the Note & Deed of Trust. At the end of the 5 years, the note will be considered satisfied and the City of Greensboro will release the lien securing the note. The forgiveness schedule is annual, not monthly.

When the buyer is utilizing more than one down payment source, the case will be negotiated with the other funding source(s) as to what lien position each funder will take. In no case will the City's lien position be lower than third without City Council approval.

If during the five-year period any of the following events occur, a pro-rated portion of the second mortgage becomes due and payable:

- Sale or transfer of the property,
- Change in owner-occupancy status, and/or
- Default of first mortgage.

In case of default, the borrower must contact the City of Greensboro for the pay-off amount and pay-off instructions. See *UNDERWRITING GUIDELINES - Section 16.1 Loan Default and 16.2 Refinancing for additional terms and details.*

### 8.2 INSTRUMENTS SECURING PROGRAM ASSISTANCE

The Deed of Trust and Promissory Note secure the program funds; all of which are signed and notarized by the applicant buyer at closing. At the completion of closing, the Deed of Trust, Declaration of Restrictions, and Request for Notice are recorded and filed at the Guilford County Register of Deeds. A copy of all documents will be placed in the applicant buyer's file and the original documents are retained until cancellation of the loan.

### 8.3 OTHER REQUIRED PROGRAM DOCUMENTS

Certain documents are required for program funding compliance.

Iran Divestment Act Certification – the buyer must sign a statement that they are not subject to North Carolina sanctions for investment in Iran.

HUD Guideform Notice – the buyer and seller are required to sign a document informing the seller of the fair market value of the property, the rights of the seller, and that the borrower is not able to use eminent domain to acquire the property.

Borrower Agreement – the buyer and the City's contracted assistance provider are required to sign a letter outlining the terms and conditions of the program.

Environmental Review – if HOME funds are used for the assistance, the City will conduct a HUD compliant environmental review. This process may increase the time needed for underwriting the loan.

**8.4 MORTGAGEE CLAUSE FOR INSURANCE**

There must be hazard/fire insurance coverage in place on the subject property in an amount not less than the total amount of all loans on the property. The City must be listed in the loss payable clause. This coverage must continue each time the policy is renewed until the City's loan is paid in full or forgiven. If the insurance company cancels its policy, it must notify us no less than ten (10) days prior to the effective date of the termination.

The City also requires title insurance in the amount of its loan. The mortgagee clause for both policies should reference:

City of Greensboro  
 ISAOA/ATIMA  
 PO Box 3136  
 Greensboro, NC 27402-3136  
 Attn: Neighborhood Development

**8.5 FLOOD INSURANCE**

The home must be located outside the 100-year floodplain. If the property is located in a floodplain, the owner must purchase and maintain Flood Insurance for the period of assistance.

**9.0 PROPERTY REQUIREMENTS**

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**9.1 ELIGIBLE PROPERTY TYPES**

Program funds may be used to assist the following types of housing:

- New construction (single-family)
- Existing construction (single-family)
- Condominiums
- Townhomes
- Manufactured Housing (newly constructed)

As stated in the [Code of Federal Regulations 24 CFR 92.251\(e\)](#), newly constructed manufactured housing must be on a permanent foundation. “*Permanent foundation*” means a foundation system of supports that is capable of transferring all design loads to the ground and meets the requirements of [Code of Federal Regulations 24 CFR 203.43f\(c\)\(i\)](#).

**10.0 SALE OF CITY-OWNED PROPERTY**

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**10.1 CITY-OWNED PROPERTIES FOR PURCHASE**

Purchase transactions for City-owned properties are subject to an upset bid process and require City Council approval of sale.

**10.2 REAL ESTATE SALES COMMISSION FOR CITY-OWNED PROPERTIES**

Where City-owned properties are involved, the City, (at its discretion) may pay a sales commission fee up to a maximum of 5% of the sales price to the real estate agent or agent's firm that resulted in the procuring cause of the sales transaction. The real estate agent/broker or the agent's firm must notify program staff of the agent/applicant buyer relationship prior to, or at the time of property showing, and the agent/real estate firm must disclose and provide written proof of procuring the applicant buyer for the sales transaction.

**PROGRAM POLICY**  
**- END -**

# UNDERWRITING GUIDELINES

## 11.0 ASSET LIMITATION/AVAILABLE ASSETS TO ACQUIRE HOUSING

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### 11.1 APPLICANT BUYER FUNDING CONTRIBUTION(S)

The applicant buyer must make a minimum **\$500.00** cash investment of their own funds toward the purchase transaction. Applicant buyer funds will be applied toward pre-paid closing cost expenses (taxes, insurance costs, homeowner association dues) first. Program funds cannot be used toward any pre-paid expenses.

### 11.2 ASSET LIMITATION

For eligibility purposes, all asset information must be listed on application documents. The asset limit is **\$20,000** in liquid assets. This does not include long-term retirement savings (i.e. pension, 401k and IRA accounts, or life insurance cash value). Borrowers with liquid assets in excess of \$20,000 should apply the excess to the required downpayment, which may decrease the amount of downpayment assistance under this program.

### 11.3 SELLER CONTRIBUTIONS

Seller contributions may go toward any pre-paid expenses exceeding the \$500.00 that the applicant buyer/buyer is required to provide. The maximum seller contribution is **6%** of the sales price. All seller funds must be applied to pre-paid expenses first.

### 11.4 GIFT FUNDS

Gift funds may be used and are acceptable only from the applicant buyer(s)' immediate family members, but may not replace the minimum required borrower contribution of \$500.00.

### 11.5 FINANCIAL RESERVES/FINANCIAL RESOURCES TO SUSTAIN HOMEOWNERSHIP

Although not required, it is strongly recommended that the applicant buyer have a 3-month reserve of mortgage payments on hand (preferably in an account) as a safe-guard for sustainability in the event of crisis.

## 12.0 MAXIMUM PROPERTY VALUE (FOR HOME PROGRAM LOANS ONLY)

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For Down Payment Assistance Program loans funded with federal HOME Program funds, the maximum property value may not exceed 95% of the median purchase price for new construction or existing properties for the area, as published by HUD and subject to annual updates. This limit does not apply to Down Payment Assistance Program loans funded with Housing Bond funds.

2019 Maximum Property Value for Existing 1 Unit Home: \$159,000

2019 Maximum Property Value for New Construction 1 Unit Home: \$227,000

*Current program homeownership value limits are available on the [HUD website](#).*

## 13.0. ASSESSMENT OF APPLICANT BUYER’S ABILITY TO PURCHASE

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### 13.1 CREDIT

The applicant buyer must be a reasonable credit risk. The current lending market and lending institutions dictate credit score requirements. Non-traditional credit is acceptable.

### 13.2 HOUSING EXPENSE (FRONT-END RATIO) GUIDELINES

Housing Expense Ratio: The standard guideline for housing debt expense is **33%**. The front-end ratio considers the percentage of gross monthly income the individual homebuyer is expected to pay for monthly housing costs (consisting of the principal, interest, taxes, insurance [PITI] and Homeowners Association – if applicable).

$$\text{Income} \times \text{“Front” Ratio} / 12 = \text{Maximum PITI}$$

### 13.3 MONTHLY DEBT TO INCOME (DTI) EXPENSE

Determining the DTI ratio: The standard guideline for overall monthly debt is **43%**. The back-end ratio reflects the percentage of gross monthly income the individual homebuyer is expected to pay for housing debt and expenses *plus* all recurring consumer debt.

$$\text{Income} \times \text{“Back” Ratio} / 12 = \text{Maximum PITI} + \text{Recurring Monthly Expenses (RMO)}$$

The typical debts used to determine the qualifying back-end ratios are the sum of the minimum required monthly payments on all the following types of debts:

- Student loans (*clarified in 12.9*)
- Auto loans
- Consumer loans
- Lines of Credit
- Credit Cards
- Child care

Also includes other installment and revolving debt that appears on a credit report, alimony, child support, etc.

### 13.4 STUDENT LOAN DEBT

If the borrower(s) has student loan debt, the total monthly debt must include one of the following:

- The monthly payment amount if the interest rate is fixed and the loan will fully amortize within the term of the loan
- One percent (1%) of the remaining loan balance reflected on the credit report for the borrower(s) if the borrower(s) cannot provide a fixed monthly payment amount OR
- If the borrower(s) have been accepted and are actively enrolled in a Federal Income Driven Repayment Plan, then either half percent (0.5%) of the remaining loan balance OR the income driven payment plan may be used but the payment may be used only if it is greater than a half percent (0.5%) of the remaining loan balance. Proof that the borrower(s) is on a Federal Income Driven Repayment Plan must be provided.
- No payments will be included in debt calculation for deferred, forgivable student loans where documentation is provided on the status of the loan.

### 13.5 COMPENSATORY FACTORS

In the event that the applicant buyer exceeds the **33/43%** DTI ratio, other compensating factors may be taken into consideration to determine eligibility. If the criteria are met, either or both ratios may be increased by **2%**. Applicant buyers must meet each of the criteria listed below:

- 13.3.1 700+ credit score
- 13.3.2 2 month reserves (of the PITI payment amount)
- 13.3.3 12 months of stable rent history

In the event the applicant buyer does not have a back-end ratio, the maximum ratio that will be allowed is **36%**.

### 13.6 MAXIMUM LOAN AMOUNT AND LOAN TO VALUE

Program assistance will not exceed 20% of the purchase price or \$10,000 - whichever is less; or \$15,000 if located in a Greensboro Redevelopment Area. The loan to value (LTV) cannot exceed 100%. The combined loan-to-value (CLTV) from all sources for homebuyer financing should not exceed 105% of the appraised value. In the case that the CLTV is >100%, the LTV shall not exceed insurer (conventional, FHA, USDA, VA) limits and must be approved by the City's contracted homebuyer assistance provider on a case-by-case basis.

## 14.0 QUALIFYING LOANS

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The applicant buyer must be able to qualify for a fixed-rate mortgage loan product offered through FHA, USDA, VA or conventional financing. The Realtor must submit all Offers to Purchase.

### 14.1 LOAN TERMS

Applicant buyers must obtain a fixed-rate fifteen (15), twenty (20) or thirty (30) year mortgage term. The applicant buyers must qualify on their own credit (no co-signers). All co-applicant buyers must be listed on the mortgage loan. Married applicants must both sign the City loan documents. City of Greensboro Homebuyer Down Payment Assistance loans are assumable in the event of divorce or death of the owner(s). Loans are not assumable if the property is sold out right.

#### **14.2 LOAN TYPES**

The Homebuyer Down Payment Assistance Program may be used with conventional, Federal Housing Administration (FHA), US Department of Agriculture (USDA), or Veterans Administration (VA) loans. Mortgage lenders or brokers must have a physical presence in North Carolina; virtual lenders are not allowed.

#### **14.3 ELIGIBLE EXPENSES AND CLOSING COSTS**

Typical closing costs include, but are not limited to:

- ✓ lender fees
- ✓ attorney fees
- ✓ recording fees
- ✓ home inspection
- ✓ pest inspection
- ✓ septic inspection
- ✓ survey
- ✓ home warranty (1-year)
- ✓ settlement statement

#### **14.4 INELIGIBLE EXPENSES**

Program funds cannot be used to pay the applicant buyers pre-paid items, which include, but are not limited to:

- escrow of taxes
- insurance
- interim interest

#### **14.5 APPLICANT BUYER REFUND AT CLOSING**

The applicant buyer cannot receive funds back at closing. The Homebuyer Down Payment Assistance Program requires the closing attorney to cut a check back to the City of Greensboro for any fund overage. The amount will be used to reduce the principal of the City loan amount. The Closing Disclosure can state it as a principal reduction on the City's loan. If there is a funding deficiency for closing, the applicant buyer may have to bring additional funds to closing.

#### **15.0 PREDATORY LENDING POLICY**

The City of Greensboro supports the expansion of fair and equitable home ownership opportunities. The goal of program staff is to ensure that fund expenditures are reasonable and necessary, and the objective of the program is to ensure that applicant buyers are ready to acquire housing and are able to sustain homeownership. To discourage predatory lending practices, which are inconsistent with such opportunities, the City of Greensboro has established the following anti-predatory lending with respect to residential mortgage loans used in conjunction with the Homebuyer Down Payment Assistance Program Funding.

Mortgage loans must comply with applicable federal, state and local anti-predatory lending laws and other similar credit-related consumer protection laws, regulations and orders designed to



prevent or regulate abusive and deceptive lending practices and loan terms (collectively, “Anti-Predatory Lending Laws”).

In addition, creative financing such as variable rate, adjustable rate, and interest rate only, balloon first mortgage loans, and/or 80/20 split are not allowed. Any practices deemed as predatory that are not listed above, are subject to review and approval by Program Staff. [[Code of Federal Regulations 24 CFR §92.254\(f\)](#)]

## **16.0 DECLINING ASSISTANCE**

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Every effort will be made to address issues well in advance of closing, however, the City of Greensboro Homebuyer Down Payment Assistance Program reserves the right to postpone a scheduled closing date or deny program assistance due to any of the following circumstances:

- Falsification and/or alteration of documents
- Reported Minimum Housing Code violations that are not properly addressed
- Predatory loans and/or fees
- Incomplete/missing paperwork
- Scheduling conflicts
- Insufficient processing time allowed for program funding (check request)
- Not receiving prior approval on any required items/matters
- Other issues that conflict with program policy or federal regulations

## **17.0 LOAN POLICIES**

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Additional loan policies regarding default, loan work out resolution, and insurance claims are detailed below and in the [City of Greensboro Housing Loan Delinquency Policies](#). The Neighborhood Development Department encourages borrowers who are having difficulty managing their loans to reach out to us for assistance with counseling or loan resolution issues.

### **17.1 LOAN DEFAULT**

If during the five-year period any of the following events occur, a pro-rated portion of the second mortgage becomes due and payable:

- Sale or transfer of the property,
- Change in owner-occupancy status, and/or
- Default of first mortgage.

The applicant buyer must contact the City of Greensboro for the pay-off amount and pay-off instructions.

### **17.2 REFINANCING**

Applicant buyers may refinance, but must contact program staff before doing so. Consideration for loan subordination is subject to review and approval, and is completed only when the new loan terms are reasonable.

MIP (mortgage insurance premiums) refunds, if any, must be paid against the City's mortgage unless the new loan has an upfront MIP fee, in which case, it can be rolled to the new mortgage. Lender charges for securing the new first mortgage cannot exceed 5% of the new loan amount and subprime loans are not allowed. A borrower cannot receive, as part of the refinancing, cash at

closing or use any of the proceeds from the refinancing to pay off personal debt. Any excess funds generated by the refinancing must be used to pay down the City's loan.

Contact the City of Greensboro for homeowner subordination policy guidelines or payoff amount and terms.

### **17.3 RECAPTURE PROVISION**

The down payment and closing costs assistance must be recaptured on a pro-rata basis. 20% is forgiven/satisfied each year, for the period of time the homeowner has owned and occupied the dwelling, which is measured against the required affordability period. Forgiveness is on an annual basis with no proration for partial years.

### **17.4 NET PROCEEDS**

Recapture requires that all or a portion of the program funds provided to the homebuyer be recaptured from the net proceeds of the sale. Net proceeds are defined as the sales price minus loan repayment (other than HOME funds) and any closing costs. When recapture is triggered by foreclosure of the housing unit, and there are no net proceeds or the available net proceeds are insufficient to repay the HOME investment due, the City can only recapture the available net proceeds.

### **17.5 LOAN ASSUMPTION**

Only heirs or devisees, in the event of the death or divorce of the applicant sole owner or both owners in entirety, may assume loans. Heirs or devisees may assume the existing or modified terms of a loan and pay any loan assumption fees. Under extenuating circumstances of personal hardship, the Loan Committee may recommend an amendment to the loan terms.

### **17.6 SHORT SALE**

The Loan Manager, with City approval, may negotiate a short sale with owner or senior lender. This may include up to a 20% reduction of the total amount (principal and interest) due from the borrower. For proposed short sales in excess of 20% reduction in total amount, additional documentation must be provided showing market cause for loan reduction. Property and loan information for non-qualifying short sales will be presented to City Council for approval.

### **17.7 FORECLOSURE**

For those applicant buyers facing foreclosure, but are actively working with a lender to restructure or refinance loan in order to remain in the home, the City of Greensboro must be notified and will assist the applicant buyer with resources and discuss how this action will impact terms and conditions of program funding.

### **17.8 INSURANCE CLAIMS**

Homeowner's insurance must be obtained in accordance with section 8.4 of these guidelines. In the event of a claim, the City may be listed on the insurance check as a loss payee. If the senior lender does not take responsibility for escrowing the check and monitoring the repairs, the City may take on that role, and any unused balance may be applied to the City's loan.

**UNDERWRITING GUIDELINES**  
**- END -**