GREENSBORO
Housing & Neighborhood Development

Housing Connect GSO

HOMEBUYER ASSISTANCE PROGRAM

PROGRAM POLICY AND UNDERWRITING GUIDELINES

OCTOBER 2024

TABLE OF CONTENTS

PROGRAM POLICY 1

1.0 PROGRAM OBJECTIVE 1

2.0 FUNDING SOURCE AND AVAILABILITY 1

2.1 FUNDING SOURCES 1
2.2 LEVERAGED FUNDING/OTHER FUNDING SOURCES 2

3.0 AMOUNT OF ASSISTANCE 2

3.1 FUNDING AMOUNT(S) 2
3.2 PROGRAM OFFERING LIMITS 3
3.3 MINIMUM ASSISTANCE AMOUNT 3

4.0 ELIGIBILITY 5

4.1 RESIDENCY 5
4.2 FIRST TIME HOMEBUYER STATUS 5
4.3 OCCUPANCY 5
4.4 AFFORDABILITY PERIOD 5
4.5 INCOME LIMITS 6

5.0 CALCULATION OF INCOME 7

5.1 DETERMINING ANNUAL INCOME 7
5.2 VERIFICATION OF INCOME 7

6.0 GENERAL PROGRAM REQUIREMENTS 8

6.1 PROGRAM LIMITATIONS 8
6.2 CITY DECISION TIMEFRAME 8
6.3 SUBSIDY LAYERING 8
6.4 LIEN POSITION 8
6.5 HOMEBUYER EDUCATION COURSE 8

6.6 APPROVED LENDERS ……. 8
6.7 REAL ESTATE REPRESENTATION …….....9
6.8 NON-DISCRIMINATION OF APPLICANT(S)…… 9
6.9 APPLICANTS WITH DISABILITIES …… 9
6.10.....9

7.0 MINIMUM HOUSING INSPECTIONS..... 10

7.1 REQUIRED PROGRAM INSPECTION – MINIMUM HOUSING INSPECTION 10
7.2 HOME/ PEST/ SEPTIC INSPECTIONS AND HOME WARRANTIES 10
7.3 LEAD HAZARD ASSESSMENT …… 10

8.0 LOAN CLOSING REQUIREMENTS..... 11

8.1 SECURING PROGRAM FUNDS 11
8.2 INSTRUMENTS SECURING PROGRAM ASSISTANCE 11
8.3 OTHER REQUIRED PROGRAM DOCUMENTS……11
8.4 MORTGAGEE CLAUSE FOR INSURANCE.....12
8.5 FLOOD INSURANCE……12

9.0 PROPERTY TYPES… 13

10.0 SALE OF CITY-OWNED PROPERTY…. 13

10.1 CITY PROPERTIES FOR PURCHASE……13
10.2 REAL ESTATE SALES COMMISSION FOR CITY-OWNED PROPERTIES.....13

UNDERWRITING GUIDELINES 14

11.0 ASSET LIMITATION/AVAILABLE ASSETS TO ACQUIRE HOUSING 14

11.1 APPLICANT FUNDING CONTRIBUTION(S).....14
11.2 ASSET LIMITATION.....14
11.3 SELLER CONTRIBUTIONS.....14
11.4 GIFT FUNDS…..14
11.5 FINANCIAL RESERVES/FINANCIAL RESOURCES TO SUSTAIN HOMEOWNERSHIP 14

12.0 MAXIMUM PROPERTY VALUE 15

13.0 ASSESSMENT OF APPLICANT ABILITY TO PURCHASE 15

13.1 CREDIT 15
13.2 HOUSING EXPENSE (FRONT-END RATIO) GUIDELINES 15
13.3 MONTHLY DEBT TO INCOME (DTI) EXPENSE 16
13.4 MAXIMUM LOAN AMOUNT AND LOAN TO VALUE 17

14.0 QUALIFYING LOANS 17

14.1 LOAN TYPES 17
14.2 LOAN TERMS 17
14.3 ELIGIBLE EXPENSES AND CLOSING COSTS 18
14.4 INELIGIBLE EXPENSES 18
14.5 APPLICANT BUYER REFUND AT CLOSING 18

15.0 PREDATORY LENDING POLICY 18

16.0 DECLINING ASSISTANCE 19

17.0 LOAN POLICIES 19

17.1 LOAN DEFAULT 19
17.2 REFINANCING 20
17.3 RECAPTURE PROVISION 20
17.4 NET PROCEEDS 20
17.5 LOAN ASSUMPTION 20
17.6 SHORT SALE 20
17.7 FORECLOSURE 21
17.8 INSURANCE CLAIMS 21

GLOSSARY 22

SECTION I: PROGRAM POLICY

1.0 PROGRAM OBJECTIVE

The objective of the Homebuyer Assistance Program is to:

- provide detailed knowledge of homeownership through effective homebuyer counseling and education;
- ensure that the applicant is ready to acquire housing and can sustain the demands of homeownership; and
- assist with funding gaps and/or deficiencies by providing funds to be used as a down payment and/or closing cost assistance.

The City will accomplish these goals by partnering and working with local lenders and the chosen program administrator – **Housing Consultants Group**.

Housing Consultants Group
1031 Summit Avenue, Suite 2E-2
Greensboro, NC 27405
336-553-0946 ext. 201

Lenders and Realtors:
hcgconnect@housingconsultantsgroup.org

Homebuyers:
info@housingconsultantsgroup.org

City of Greensboro Point of Contact:

Caitlin Bowers, Neighborhood Investment Manager
(336) 433-7266

2.0 FUNDING SOURCE AND AVAILABILITY

2.1.1 Low- to Moderate-Income Homebuyer Offering

Funds are provided by 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 from July 1 to June 30 of each year. These funds are awarded on a first-come, first-served basis to eligible home buyer applicants until the program funds are depleted.

HOME funds will be limited to properties built after 1978 with a maximum household area median income (AMI) of 80% and maximum purchase price within HUD limits.

2.1.2 Public Service Heroes Homebuyer Offering

Funds are provided by the City Housing Bond dollars as a last fund for down payment and closing assistance for eligible public service employees. These funds are awarded on a first-come, first-served basis until funds are depleted.

The Public Service Heroes Homebuyer funds will be used for properties built in any year with a household AMI of 120% or below.

2.1.3 Moderate-Income Homebuyer Offering

Funds are provided through an award from the City American Rescue Plan (ARP) dollars as a last fund for down payment and closing cost assistance. These funds are awarded on a first-come, first-served basis until funds are depleted.

City ARP funds will be used for properties built in any year with a household AMI of 120% or below.

2.2 LEVERAGED FUNDING/OTHER FUNDING SOURCES

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

3.0 AMOUNT OF ASSISTANCE

3.1 FUNDING AMOUNT(S)

The amount of program assistance is based upon the program offering, income, and the applicant's need. Factors used in determining assistance amounts:

- Applicant financial resources
- Contract purchase price of the dwelling
- Current debts of the applicant
- Other source of funding which the applicant receives
- Loan program type
- Seller contributions
- Loan discount and fees
- Housing and Debt-to-Income Ratios known as the Front-end and Back-end ratios

3.1.1 Low- to Moderate-Income Homebuyer Offering *(Neighborly Software 1A)*

Eligible homebuyers may receive up to $15,000 for down payment and closing cost assistance in any area within Greensboro city limits. Eligible homebuyers purchasing a home in one of the City's approved Redevelopment or Reinvestment Areas are also eligible for a $5,000 bonus for down payment assistance; up to a total of $20,000 maximum assistance.

Unless under special circumstances, maximum assistance will be $15,000, unless in the Redevelopment or Reinvestment area, where a maximum of $20,000 will be enforced.

It should be noted that the program will only provide the minimum amount of funds to qualify for the loan. The program administrator will use a good faith estimate provided by the primary lender to confirm the amount of funds that the applicant would need to qualify for the primary mortgage.

Redevelopment Areas

- Eastside Park
- Ole Asheboro
- Willow Oaks

Reinvestment Areas

- Dudley Heights
- Glenwood
- Kings Forest
- Mill District
- Random Woods

3.1.2 Public Service Heroes Homebuyer Offering *(Neighborly Software 2A)*

Eligible homebuyers may receive up to $15,000 for down payment and closing cost assistance in any area within Greensboro city limits. Eligible homebuyers purchasing a home in one of the city's approved Redevelopment or Reinvestment Areas are also eligible for a $10,000 bonus for down payment assistance; up to a total of $25,000 maximum assistance.

Unless under special circumstances, the maximum assistance will be $15,000, unless in the Redevelopment or Reinvestment Area, where a maximum of $25,000 will be enforced.

It should be noted that the program will only provide the minimum amount of funds to qualify for the loan. The program administrator will use a good faith estimate provided by the primary lender to confirm the amount of funds that the applicant would need to qualify for the primary mortgage.

Redevelopment Areas

- Eastside Park
- Ole Asheboro
- Willow Oaks

Reinvestment Areas

- Dudley Heights
- Glenwood
- Kings Forest
- Mill District
- Random Woods

3.1.3 Moderate-Income Homebuyer Offering *(Neighborly Software 1B)*

Eligible homebuyers may receive up to $10,000 for down payment and closing cost assistance in any area within the Greensboro city limits. Eligible homebuyers purchasing a home in one of the city's approved Redevelopment or Reinvestment areas are also eligible for a $5,000 bonus for down payment and closing cost assistance; up to a total of $15,000 maximum assistance.

Unless under special circumstances, maximum assistance will be $10,000, unless in the Redevelopment or Reinvestment area, where a maximum of $15,000 will be enforced.

It should be noted that the program will only provide the minimum amount of funds to qualify for the loan. The program administrator will use a good faith estimate provided by the primary lender to confirm the amount of funds that the applicant would need to qualify for the primary mortgage.

Low- to Moderate-Income buyers under 80% AMI that would typically qualify for HOME funds under 1A can be transferred to program 1B if the property was built pre-1978 and/or the buyer's front-end ratio exceeds the program requirements of 1A. All program transfers and waivers must be approved by City of Greensboro staff.

Redevelopment Areas

- Eastside Park
- Ole Asheboro
- Willow Oaks

Reinvestment Areas

- Dudley Heights
- Glenwood
- Kings Forest
- Mill District
- Random Woods

3.2 MINIMUM ASSISTANCE AMOUNT

For all programs the minimum assistance allowable is $1,000.

4.0 ELIGIBILITY

To qualify for the City of Greensboro assistance, the applicant must meet the preliminary eligibility criteria as follows:

4.1 RESIDENCY

The property being purchased must be within the city limits of Greensboro and the applicant must reside in the home for the entirety of its affordability period.

4.2 FIRST-TIME HOMEBUYER STATUS

The applicant must be a first-time homebuyer or cannot have owned a home within the last three (3) years. The buyer may not own any other real property or have an ownership interest in real estate at the time of application (i.e. primary, investment, timeshares, vacation homes, vacant lots).

An exception may be granted if someone holds partial ownership in a property as a result of an estate and it has not been their primary residence. Applicants must occupy the property within 60 days of signing the security instrument.

4.3 OCCUPANCY

The borrower(s) must occupy the home as their primary residence during the loan term or the HOME period of affordability; whichever is greater. Sale or rental of the property will be an event of default of the loan terms.

The borrower(s), if refinanced with cash out, must contact the City of Greensboro in order for the City to recapture any remaining outstanding balances of City funds provided to the borrower(s).

4.4 AFFORDABILITY PERIOD

AMOUNT OF ASSISTANCE	AFFORDABILITY IN YEARS
Under $15,000	5
$15,000 to $40,000	10
Over $40,000	15

4.5 INCOME LIMITS

LOW- TO MODERATE-INCOME HOMEBUYER INCOME							
1 PERSON	2 PERSON	2 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
$46,500	$53,150	$59,800	$66,400	$71,250	$77,050	$82,250	$87,650
PUBLIC SERVICE HEROES INCOME							
$69,700	$79,700	$89,650	$99,600	$107,550	$115,550	$123,500	$131,450
MODERATE-INCOME HOMEBUYER INCOME							
$69,700	$79,700	$89,650	$99,600	$107,550	$115,550	$123,500	$131,450

Current income limits are available by contacting City of Greensboro Staff and subject to annual updates

4.5.1 Low- to Moderate-Income Homebuyer Offering

- 80% AMI or below

4.5.2 Public Service Heroes Homebuyer Offering

- 120% AMI or below

4.5.3 Moderate-Income Homebuyer Offering

- 120% AMI or below

5.0 CALCULATION OF INOME

5.1 DETERMINING ANNUAL INCOME

The HUD Part 5 definition of annual income will be used for all programs of homebuyer assistance provided by the City of Greensboro.

Annual income is defined as the gross annual income of all adults (age 18 and over, except a full-time dependent student pursing 12 credit hours or more at a post-secondary institution) expected to live in the residence being financed.

Income sources used for establishing the annual gross income of the applicant household shall be determined in accordance with the **Code of Federal Regulations 24 CFR 5.609** (which also list income "inclusions" and "exclusions"). All income is projected for 12 months to calculate 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 - https://www.irs.gov/individuals/get-transcript
    - Tax returns and w2s alone are not sufficient
- Two concurrent months of paystubs
    - Monthly = 2
    - Semi-Monthly = 4
    - Biweekly = 4 or 5 depending on month
    - Weekly = 8 or 9
- Most recent W2
- Verification of employment (VOE)
- Supplemental income award letters (i.e. Social Security, Supplemental Security Income [SSI], and/or Social Security Disability, etc.)
- Proof of child support
- Two years of Tax Returns and Profit and loss statement (self-employed ONLY)
- Other income documentation may be required

6.0 GENERAL PROGRAM REQUIREMENTS

6.1 PROGRAM LIMITATIONS

City funds are subject to a maximum of 20% of the purchase price of the home.

6.2 CITY DECISION TIMEFRAME

The City allows up to a 15-business day turnaround from the ***complete*** lender application submission to program approval. Incomplete application submissions will be rejected and returned to lender for corrections.

6.3 SUBSIDY LAYERING

Greensboro Homebuyer Assistance Programs funds may be used in conjunction with other programs (example: *North Carolina Housing Finance Agency's Home Advantage Mortgage Program*).

6.4 LIEN POSITION

In no case will the City's lien positon be lower than third without City Council approval.

6.5 HOMEBUYER EDUCATION COURSE

All applicants must receive HUD-certified housing education and counseling before receiving Homebuyer Assistance funding. ***A minimum of eight (8) hours of City approved homebuyer education is required prior to closing***. The homebuyer education is required for anyone with ownership rights and listed on the Deed of Trust. If the client has already completed the class, the certificates are valid for one year and the applicant 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. The program administrator will contact the buyer to schedule housing counseling when necessary.

6.6 APPROVED LENDERS

Lenders interested in working with applicants participating in the program must contact the City's contracted homebuyer assistance provider **prior to the buyer application**. Lenders must provide their NMLS number for training registration. Lenders must receive program education, certification, and prior program approval

by the program administrator. If lenders use processors to submit program applications, the processors must also attend training.

Lenders must have a physical, mortgage origination branch/office in North Carolina for at least one year in order to participate in the Homebuyer Assistance Program. Lenders must prove NC employment to be approved. Approved lenders will be placed on a list provided monthly to participants of the Homebuyer Education Class.

Any lender that submits incomplete applications more than twice may be removed from the approved list and may be required to attend additional training.

6.7 REAL ESTATE REPRESENTATION

Applicants must have realtor representation. Applicants without real estate representation are not eligible for Homebuyer Program assistance.

6.8 NON-DISCRIMINATION OF APPLICANT(S)

In 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.

6.9 APPLICANT(S) WITH DISABILITIES

The applicant or occupants with a disability who may need an interpreter and/or other auxiliary aids must contact the City's contracted homebuyer assistance provider to make a request 3-5 days prior to the meeting or event. The office and standard meeting location must be handicapped accessible.

6.10 LANGUAGES OTHER THAN ENGLISH

For those applicants with limited- or non-English proficiency who may need 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 event. Telephone interpreting 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: Language Access Program (sharepoint.com) for full details.

7.0 MINIMUM HOUSING INSPECTIONS

7.1.1 Low- to Moderate-Income Homebuyer Offering

Properties must be safe, decent, and sanitary. The City of Greensboro will perform a property inspection on all Low- to Moderate-Income HOME-funded properties *(Neighborly 1A)* to ensure the proposed home meets City Minimum Housing Code standards. Properties must be inspected by a City of Greensboro Inspector for compliance with the City's Minimum Housing Code. The City Inspector must complete the required checklist documenting property conditions.

The purpose of this inspection is to ensure that the property has no deficiencies that could endanger the applicant(s) health and safety upon purchase. The inspection is basic in nature, and in no way replaces a home inspection. It is **strongly** recommended that the Applicant(s) obtain a home inspection, prior to committing to the purchase**.** The realtor must submit inspection and due diligence documentation.

7.1.2 Public Services Heroes Homebuyer Offering

It is **strongly** recommended that the Applicant(s) obtain a home inspection, prior to committing to the purchase**.** The realtor must submit inspection and due diligence documentation.

7.1.3 Moderate-Income Homebuyer Offering

It is **strongly** recommended that the Applicant(s) obtain a home inspection, prior to committing to the purchase**.** The realtor must submit 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, if paid at closing. One-year warranties are also allowable program expenses, if paid at closing. 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 program approval.

7.3 LEAD HAZARD ASSESSMENT

All pre-1978 built properties utilizing the Homebuyer Assistance Program must comply with the lead reduction provisions found at 24 CFR Part 25 Part 35. The Program Administrator will validate the date of construction from the appraisal and assure the seller complied with the *Disclosure requirements for seller's provisions.*

8.0 LOAN CLOSING REQUIRMENTS

8.1 SECURING PROGRAM FUNDS

Assistance is provided in the form of an interest-free second mortgage with a term of up to ten (10) years. A percentage of the original loan amount is satisfied each year that the buyer complies with the terms of the Note and Deed of Trust. At the end of the loan term, the note will be considered satisfied and the City of Greensboro will release the lien securing the note. There are no tax implications for loan forgiveness. The forgiveness is scheduled yearly, **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 loan term any of the following events occur, 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 City of Greensboro staff 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; all of which are signed and notarized by the applicant 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 file and the original documents are retained until cancellation of the loan.

8.3 OTHER REQUIRED PROGRAM DOCUMENTATION

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.

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.

Vendor Form/Payment Authorization Form – the buyer must complete and sign a form to be set up as a vendor with the City of Greensboro in order for a check to be cut to the homebuyer prior to closing.

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.

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.

City Inspection – if HOME funds are used for the assistance, the City will conduct a minimum housing inspection. This process may increase the time needed for underwriting the loan.

8.4 MORTGAGEE INSURANCE CLAUSE

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: Housing & 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. The amount of coverage must equal the total project cost or the maximum coverage limits of the National Flood Insurance Program, whichever is less. The owner must provide a copy of the flood insurance policy declaration or a paid receipt for the current annual flood insurance premium and a copy of the application for flood insurance.

9.0 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

10.1 CITY 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 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 for the sales transaction.

- PROGRAM POLICY END -

SECTION II: UNDERWRITING GUIDELINES

11.0 ASSET LIMITATIONS/AVAILABLE ASSETS TO ACQUIRE HOUSING

11.1 APPLICANT FUNDING CONTRIBUTION(S)

No minimum investment is required from the applicant. All industry guidelines for loan type should be followed. All funds for down payment and closing costs may come from the buyer's funds, a gift, seller contribution to closing expenses, down payment assistance or grant. Applicant contribution will be applied toward any paid up-front expenses first. Homebuyers cannot receive funds back at closing that exceed verified borrower-paid outside of closing (POC) costs and cannot exceed $2,500 regardless of amount contributed, from any source. All Homebuyer Assistance must be used for down payment or closing 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 (including gifts). This does not include long-term retirement savings (i.e. pension, 401k and IRA accounts, or life insurance with a cash value). Households participating in the Greensboro Housing Authority Family Self-Sufficiency Program have an increased liquid assets limit of $30,000.

11.3 SELLER CONTRIBUTIONS

Seller contributions may go toward any expenses exceeding what the applicant provides. The maximum seller contribution is 6% of the sales price.

11.4 GIFT FUNDS

Gift funds may be used against the purchase price and/or closing costs and are acceptable only from the applicant's immediate family members. The applicant must provide an executed gift letter and all additional supporting documentation required by the first mortgage lender. Gift funds are counted toward the program asset limit. City of Greensboro staff may approve exceptions to the gift fund limit for applicants.

11.5 FINANCIAL RESERVES AND RESOURCES TO SUSTAIN HOMEOWNERSHIP

Although not required, it is strongly recommended that the applicant 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

Low- To Moderate-Income Homebuyer Offering:
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.

2024 Maximum Property Value for Existing 1 Unit Home: $247,000
2024 Maximum Property Value for New Construction 1 Unit Home: $313,000

Current program homeownership value limits are available on the HUD website.

Public Service Heroes Homebuyer Offering:
There is no limit to maximum property value.

Moderate-Income Homebuyer Offering:
There is no limit to maximum property value.

13.0 ASSESSMENT OF APPLICANT'S ABILITY TO PURCHASE

13.1 CREDIT

The applicant must be a reasonable credit risk with a minimum credit score of 600. Buyer must be able to obtain a market rate mortgage. Non-traditional credit is acceptable.

13.2 FRONT END RATIO (HOUSING EXPENSE)

Low- To Moderate-Income Homebuyer Offering:
The front end ratio cannot exceed **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).

Public Service Heroes Homebuyer Offering:
There is no front ratio limit at this time, but lenders must follow industry guidelines for the loan type. 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).

Moderate-Income Homebuyer Offering:
There is no front ratio limit at this time, but lenders must follow industry guidelines for the loan type. 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).

Income x "Front" Ratio / 12 = Maximum PITI

13.3 BACK END RATIO (DEBT TO INCOME)

Determining the DTI ratio: The maximum DTI ratio is **45%**. 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.

Income x "Back" Ratio / 12 = Maximum PITI + 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**
- Auto loans
- Consumer loans
- Lines of Credit
- Credit Cards
- State or Federal tax payments

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

** 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.

13.4 MAXIMUM LOAN AMOUNT AND LOAN TO VALUE

Low- to Moderate-Income Homebuyer Offering:
Program assistance will not exceed 20% of the purchase price or $15,000 –whichever is less; **or** $20,000 if located in a Greensboro Redevelopment or Reinvestment Area.

Public Service Heroes Homebuyer Offering:
Program assistance will not exceed 20% of the purchase price or $15,000 – whichever is less; **or** $25,000 if located in a Greensboro Redevelopment or Reinvestment Area.

Moderate-Income Homebuyer Offering:
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 or Reinvestment 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

14.1 LOAN TYPES

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

14.2 LOAN TERMS

Applicant must obtain a fixed-rate fifteen-(15), twenty- (20) or thirty- (30) year mortgage term (longer if required). The applicant must qualify on their own credit (no co-signers). All co-applicant must be listed on the mortgage loan. Married applicants must both sign the City loan documents. All homebuyer program offering 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.

14.3 ELIGIBLE EXPENSES AND CLOSING COSTS

Typical closing costs include, but are not limited to:

- lender fees (inclusive of points or interest rate buy-downs)
- lender required services
- attorney fees
- recording fees
- home inspection
- pest inspection
- septic inspection
- survey
- home warranty (1-year)
- homeowner's insurance
- pre-paid or interim interest
- mortgage insurance
- title insurance

14.4 INELIGIBLE EXPENSES

Program funds cannot be used to pay ineligible expenses items, which include:

- escrows of taxes
- upfront cost paid by the borrower (appraisal, credit report, insurance, and title commitments
- items required to be paid by the seller
- repairs to the dwelling prior to closing

14.5 APPLICANT BUYER REFUND AT CLOSING

Maximum cash back to the homebuyer at closing cannot exceed $2,500 and must be from verified POCs paid into the transaction by the buyer. Excess homebuyer funds resulting from gift funds or verified homebuyer POCs or due diligence fee, may be applied as a principal reduction. 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 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 all homebuyer assistance program offerings.

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 DENIAL OF ASSISTANCE

Every effort will be made to address issues well in advance of closing, however, the City of Greensboro Homebuyer 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 and federal regulations

17.0 LOAN POLICIES

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 Housing & 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 loan term 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 must contact City of Greensboro staff for the pay-off amount and pay-off instructions.

17.2 REFINANCING

Applicant may refinance with prior City approval. 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 refinancing guidance, homeowner subordination policy guidelines, or payoff amount and terms.

17.3 PROGRAM RECAPTURE OF FUNDS

The down payment and closing cost assistance must be recaptured on a pro-rata basis. A percentage of the loan 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. The recapture is limited to the net proceeds available from the sale.

17.4 NET PROCEEDS

Recapture requires that all 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 City 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 City investment due, the City can only recapture the available net proceeds.

17.5 LOAN ASSUMPTIONS

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 applicants 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 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.

GLOSSARY

- **Affordability Period:** The period a homebuyer is required to own and occupy a property as their primary residence, which is tied to the amount of assistance provided.
- **Applicant:** A person or family that has applied for housing assistance.
- **Appraisal:** An estimate of a home's market value based on comparable recent sales in the home's immediate area or neighborhood conducted by a professional appraiser.
- **Appraiser:** An individual duly licensed and qualified by the state of North Carolina to complete the Appraisal
- **Fair Housing Act:** The Fair Housing Act of 1968, 42 U.S.C. §3601-3619, prohibits discrimination against protected classes of people in for-sale or rental housing.
- **First-Time Home Buyer**: An Applicant(s) which has never owned a home nor has any ownership interest in real estate at the time of application (i.e., primary, investment, timeshares, vacation homes, or vacant lots) or for those which haven't owned a home within the past three (3) years.
- **Front-End-Ratio:** The relationship, expressed as a percentage, between an Applicants' housing expense and their gross monthly income. That includes principal, interest, taxes, hazard insurance, and mortgage insurance.
- **Hazard Insurance:** Insurance coverage that protects a property against damage caused by fires and damages from hurricanes, earthquakes, and/or other natural disasters (exclusion of flood).
- **Household Income:** The anticipated adjusted gross amount of income from all sources of all adult family members as defined for reporting under the Internal Revenue Service (IRS) Form 1040 series for individual Federal annual income tax purposes.
- **Household Member:** Any person occupying the same unit, regardless of their relationship. May include minor children, temporality absent family members and permanently absent family members (such as those who reside in a nursing home). For the DPA Program household members should not own residential property.
- **Household Size:** All persons occupying the same housing unit, regardless of their familial status or relationship. The household size includes all persons, including minor children and adults.
- **Housing Counseling Agency:** Either a public or private nonprofit organization (i) established as a HUD-approved provider of homebuyer education courses for at least one (1) year in the geographical area in which it provides services, (ii) is knowledgeable concerning the local

housing market, and (iii) has met the regulations found at 24 CFR Part 214 to obtain HUD approval.

- **HUD:** The acronym for Housing and Urban Development
- **Lending Institution(s):** Financial and mortgage institution(s) duly authorized to carry out mortgage business in North Carolina and the nation. To originate subsidized loans under the Affordable Housing Program, Lenders must comply with the requirements and enter into agreements required by the City of Greensboro.
- **Area Median Income (AMI):** Household income adjusted by family size for a given area as calculated by the United States Department of Housing and Urban Development (HUD).
- **Award Commitment Letter:** Notification sent to an Applicant and if applicable, Co- Applicant indicating the action of reserving funds that are conditionally awarded to the Applicant as the second mortgage which can be applied for purchasing a specific dwelling unit. It is a pre-obligation. It is not legally binding and normally valid for 60 days.
- **Back-End-Ratio**: Also known as the Debt-to-Income Ratio, is the percentage that expresses the relationship between a borrower's total monthly obligations (including the total mortgage payment) and their gross income.
- **Closing Cost:** Ordinary and reasonable expenses above the sales price of the property incurred by buyers and sellers when transferring ownership of a property and acquiring financing through a mortgage loan.
- **Closing Disclosure:** A form that provides the final details required to complete the mortgage loan process by qualified Applicants under the DPA Program. It includes a breakdown of loan terms, projected monthly payment, closing cost and down payment applied.
- **Community Development Block Grant (CDBG):** An acronym used to reference a HUD grant program that supports community development activities to build stronger and more resilient communities.
- **Down Payment:** A sum of money that a buyer pays in the early stages of purchasing a home. The down payment represents a portion of the total purchase price, and the buyer will often take out a loan to finance the remainder.
- **Eligible Homebuyer:** Refers to the members of a household (an individual or a married couple), which the lenders have determined that Applicants have met all the City of Greensboro Home Assistance Program requirements.
- **Fair Housing Act:** The Fair Housing Act of 1968, §3601-3619, prohibits discrimination against protected classes of people in

for-sale or rental housing.

- **First-Time Home Buyer**: An Applicant(s) which has never owned a home nor has any ownership interest in real estate at the time of application (i.e., primary, investment, timeshares, vacation homes, or vacant lots) or for those which haven't owned a home within the past three (3) years.
- **Front-End-Ratio:** The relationship, expressed as a percentage, between an Applicants' housing expense and their gross monthly income. That includes principal, interest, taxes, hazard insurance, and mortgage insurance.
- **Hazard Insurance:** Insurance coverage that protects a property against damage caused by fires and damages from hurricanes, earthquakes, and/or other natural disasters (exclusion of flood).
- **HOME:** Home Investment Partnerships Program (HOME) funded by HUD to create affordable housing for low- moderate-income households.
- **Household Income:** The anticipated adjusted gross amount of income from all sources of all adult family members as defined for reporting under the Internal Revenue Service (IRS) Form 1040 series for individual Federal annual income tax purposes.
- **Household Member:** Any person occupying the same unit, regardless of their relationship. May include minor children, temporality absent family members and permanently absent family members (such as those who reside in a nursing home). For the DPA Program household members should not own residential property.
- **Household Size:** All persons occupying the same housing unit, regardless of their familial status or relationship. The household size includes all persons, including minor children and adults.
- **Housing Counseling Agency:** Either a public or private nonprofit organization (i) established as a HUD-approved provider of homebuyer education courses for at least one (1) year in the geographical area in which it provides services, (ii) is knowledgeable concerning the local housing market, and (iii) has met the regulations found at 24 CFR Part 214 to obtain HUD approval.
- **HUD:** The acronym for the federal Department of Housing and Urban Development
- **Lending Institution(s):** Financial and mortgage institution(s) duly authorized to carry out mortgage business in North Carolina and the nation. To originate subsidized loans under the DPA Program, Lenders must comply with the requirements and enter into agreements required by the City of Durham.
- **Lien:** The security interest created by a mortgage or loan on a property.
- **Long–Term** or **30-Year Fixed Mortgage**: A fixed rate and fully

amortized mortgage loan with a term of 30 years of payment.

- **Low and Moderate Income (LMI):** Low-to-moderate income populations have incomes not more than 80% of the Area Median Family Income established by HUD. This income standard changes yearly and varies based on household size and geography. HUD has calculated adjusted income for the Greensboro Area.
- **Mortgage:** A loan in which property or real estate is used as collateral. The Borrower agrees with a mortgage lender and the City wherein the borrower receives cash up front and then makes payments over a set time until the entire lien is repaid to the mortgage lender and the City.
- **PITI:** The acronym for principal, interest, taxes, and insurance (homeowner's, flood, and mortgage insurance).
- **Primary Residence**: Refers to the dwelling where a person maintains or will maintain a primary residence, and which will be occupied for the majority of the calendar year. A Person may only have one (1) primary residence at a time.
- **Program Administrator:** Refers to the Housing Consultants Group (HCG).
- **Property Value:** The assessed value of a property under normal competitive and the open market. The property market value must be established through an appraisal.
- **Purchase Price:** The cost of acquiring a residence. To qualify for the DPA Program, the purchase price cannot be higher than the appraised value.
- **Recapture:** The City will recoup all the DPA funds provided to the Borrower(s) when the owner no longer maintains the residence during the affordability period.
- **Restrictive Condition or Deed Restriction:** Any restriction or obligation registered against the property's title deed, which binds the owner and restricts the use of the property.
- **Second Mortgage:** A deed next in rank after the first deed on the same property.
- **Subsidy:** Direct financial assistance provided to the Applicant to reduce their interest rate and mortgage principal.