

## **DOWNPAYMENT ASSISTANCE PROGRAM FOR HURRICANES DOLLY AND IKE DISASTER RELIEF**

The City of Houston (City) Housing and Community Development Department (HCDD) has designed the Downpayment Assistance Program for Hurricanes Dolly and Ike Disaster Relief (“Disaster Relief”) to provide financial assistance to families purchasing homes in areas impacted by Hurricane Ike. Financial assistance will be provided for downpayment, reasonable closing costs, pre-paid items, and principal reduction. Funding for the Disaster Relief Program will be available through the Texas Community Development Block Grant (CDBG) Program 2008 Supplemental Disaster Recovery Fund for Hurricanes Dolly and Ike.

### **Program Specifications**

#### **Purpose of the Program:**

Facilitating the purchase of new and existing single family homes in the areas designated as having the greatest need of restoration will be instrumental to HCDD’s hurricane recovery efforts.

Services will be targeted to persons buying homes in areas targeted for revitalization and surrounding communities that have been affected Hurricane Ike and priority will be given to low to moderate income homeowners seeking to purchase new or existing homes in areas targeted for restoration.

#### **Areas of the City:**

- a. The property being purchased must be located within the City of Houston and be subject to City of Houston property taxes, as verified by tax rolls.

**Eligible Persons:**

- a. Families whose projected annual income does not exceed 120% of the area’s median income. See Chart for 2009 below:

	<b>30% AMI</b>	<b>50% AMI</b>	<b>80% AMI</b>	<b>100% AMI</b>	<b>120% AMI</b>
<b>Family Size</b>	<b>Extremely Low Income</b>	<b>Very Low Income</b>	<b>Low Income</b>	<b>Average Median Income</b>	<b>Moderate Income</b>
<b>1</b>	<b>\$13,400</b>	<b>\$22,350</b>	<b>\$35,750</b>	<b>\$44,700</b>	<b>\$53,600</b>
<b>2</b>	<b>\$15,300</b>	<b>\$25,500</b>	<b>\$40,850</b>	<b>\$51,000</b>	<b>\$61,200</b>
<b>3</b>	<b>\$17,250</b>	<b>\$28,700</b>	<b>\$45,950</b>	<b>\$57,400</b>	<b>\$69,000</b>
<b>4</b>	<b>\$19,150</b>	<b>\$31,900</b>	<b>\$51,050</b>	<b>\$63,800</b>	<b>\$76,600</b>
<b>5</b>	<b>\$20,700</b>	<b>\$34,450</b>	<b>\$55,150</b>	<b>\$68,900</b>	<b>\$82,800</b>
<b>6</b>	<b>\$22,200</b>	<b>\$37,000</b>	<b>\$59,200</b>	<b>\$74,000</b>	<b>\$88,800</b>
<b>7</b>	<b>\$23,750</b>	<b>\$39,550</b>	<b>\$63,300</b>	<b>\$79,100</b>	<b>\$95,000</b>
<b>8</b>	<b>\$25,300</b>	<b>\$42,100</b>	<b>\$67,400</b>	<b>\$84,200</b>	<b>\$101,200</b>

- b. Families who meet all other underwriting criteria for the Disaster Relief Program.

**Ineligible Persons:**

- a. Persons whose debt-to-income (DTI) ratio for the senior loan exceeds 46%. Principal, Interest, Taxes, and Insurance (PITI) must be included in the total monthly payment for calculation of the DTI.
- b. Persons whose credit report indicates that they are delinquent on a student loan, Internal Revenue Service taxes, child support payments, utility payments applicable to the current or former address(es), or owe the City for City services provided to them (for example, Houston Public Library fines, City Emergency Medical Services bills, and municipal violations).
- c. Persons whose assets are not at least \$1,000.
- d. No financial assistance will be provided to persons who are registered sex offenders.

**Amount of Assistance:**

- a. The level of assistance provided to all families up to 120% of the area's median income who are purchasing a home in the designated CDBG areas (low-to-moderate census tracts) will receive up to 100% of the down payment required to purchase the home, in addition to other reasonable closing costs, pre-paid items, and principal reduction in an amount not to exceed \$45,000.
- b. The level of assistance provided to all families up to 120% of the area's median income who are purchasing a home anywhere else in the City will receive up to 100% of the down payment required to purchase the home, in addition to other reasonable closing costs, pre-paid items, and principal reduction in an amount not to exceed \$19,500.

**Home Price Limitation:**

The sales price cannot exceed \$200,160.00.

**Property Type:**

Property approved for the Disaster Relief Program loans include:

- Single-family property (detached and attached 1-4 units)
- Condominium unit
- Cooperative unit
- Modular home/Manufactured home

**HCDD Inspection for Compliance with Minimum Property Standards:**

A HCDD inspector will inspect all properties to ensure they meet Minimum Property Standards which are stricter standards than the Section 8 Housing Quality Standards prior to application approval. However, HCDD's inspection does not serve to assure the buyer that the property is free of defects. Therefore, HCDD strongly encourage lenders and real estate professionals to advise potential homebuyers to have an inspection performed for their benefit. The inspection should be performed by a qualified and licensed real estate inspector and/or licensed contractor for specialized inspections, i.e., plumber, electrician, HVAC mechanic. If an inspection is performed, the lender may submit the report with the file. However, the homebuyer's inspection, or any other inspection report, will not be substituted for HCDD's inspection.

**Lead-Based Paint Hazards:**

Properties built prior to 1978 may contain Lead-Based Paint and will be visually inspected by a HCDD inspector for defective paint. If a property fails the visual inspection, it will be determined unacceptable until the painted surfaces are corrected. All applicable sales contracts must include the "Addendum for Seller's Disclosure of Information on Lead-based Paint & Lead-based Paint Hazards as Required by Federal Law".

**Environmental Review:**

An environmental review must be performed on the property prior to federal funds being committed by HCDD (24 CFR Parts 50, 58, 574, 582, 583, and 970). No commitment or disbursement of funds will occur prior to the completion of this review. The environmental assessment reviews the wetlands, coastal zones, flood zones and runway clear zones. If the environmental assessment determines that the property is in the flood zone, the Lender is required to escrow hazard and flood insurance for the life of the 1<sup>st</sup> loan. Also, the Disaster Relief Program will not assist homes that have been determined to be in the floodway. Once the Environmental Review is complete the review is forwarded to the Texas Department of Housing and Community Affairs for environmental clearance.

**Uniform Relocation Act:**

The Uniform Relocation Act (URA) applies to federally assisted homebuyer programs. Under the CDBG Program guidelines, the Seller(s) must not displace tenants of the property being purchased. HCDD will only assist properties that are owner-occupied or vacant. The "Notice to Seller(s)" must be signed and dated by the Seller and placed in the applicant's file.

**Use of Funds:**

Direct financial assistance to offset portions of the down payment, reasonable closing costs, pre-paid items and/or principal write-down assistance required for a home purchase. Prepaid items include but are not limited to the initial payment for Hazard Insurance, Flood Insurance, and Mortgage Insurance.

**Counseling Education Program Attendance:**

The applicant must complete at least eight (8) hours of homebuyer education from any Participating HUD Approved Housing Counseling Agency prior to acceptance into the program. The certification for the course is valid for one year. Counseling programs will encourage individuals to participate in homeownership and provide a method to track

the achievement of the homeownership goal. It is the responsibility of the applicant to pay all costs to enroll in a homebuyer education course. Costs of the program vary depending on who provides the courses. A list of HUD approved counseling agencies can be found on the HCDD website in the following location:

<http://www.houstontx.gov/housing/resource.html>

**Terms of Assistance:**

The terms of assistance are a 0% interest, five (5) years, deferred payment/forgivable loan with a deed restriction imposed on the property that provides that the property be occupied for a period of at least five (5) years (“Affordability Period”) by that applicant as his/her principal residence.

Throughout the five year affordability period, the homeowner is required to maintain principal residency, maintain hazard and, if applicable, flood insurance, and pay property taxes on the assisted property. Failure to maintain insurance on the life of the property may result in the lack of future federal assistance. HCDD’s Loan Servicing Group monitors will monitor for homebuyer compliance through the five (5) year affordability period.

**Loan Assumability:**

The City’s Disaster Relief Program loan is not assumable during the Affordability Period.

**Seller Financing:**

Seller financing is not acceptable under these programs unless the seller is a non-profit organization.

**Loan Subordination:**

Future subordinations of the City’s Disaster Relief Program loan to a newly obtained senior loan are subject to the HCDD Director’s discretion.

**Approval of Subordinate Liens:**

Liens subordinate to the City’s Disaster Relief Program loan are subject to the HCDD Director’s discretion and as Program allows.

**Recapture Requirements:**

The applicant must occupy the property as his/her principal residence throughout the Affordability Period.

If the applicant occupies the property as his/her principal residence for the Affordability Period, no recapture restrictions will apply.

If the property is sold (including foreclosure) transferred and /or is no longer the homeowner's primary residence during the Affordability Period, the City will recapture a portion of the remaining balance of the Disaster Relief Program loan note. The homeowner will receive a twenty (20) percent credit for each year the property is his/her principal residence. The maximum amount the City will recapture will be the full amount of the Disaster Relief Program loan note and any balance would immediately become due and payable to the City.

If the homeowner vacates or rents the property, the full amount of the Disaster Relief Program loan will be immediately due and payable to the City, unless the homeowner establishes his/her actual residency pursuant to evidence acceptable to the Director, in which case the homeowner will receive a twenty (20) percent credit for each year the property is his/her principal residence.

In the case of other default during the Affordability Period, the City may pursue all remedies available to the City under the Disaster Relief Program loan promissory note, the Disaster Relief Program loan Deed of Trust, or other Disaster Relief Program loan documents. During the continuance of any such default, the Disaster Relief Program loan shall bear interest at a rate of six percent (6%) per annum ("Default Rate").

**Dispute Resolution & Grievance Process:**

Applicants have the right to review grievances as needed. The escalation process for dispute resolution begins with the City of Houston's Housing and Community Development Department. An Applicant may meet with the DPA Supervisor to discuss the dispute. If the applicant is not satisfied, they have the right to escalate the dispute to the Texas Department of Housing and Community Affairs. From there, the applicant has the right to escalate the dispute to the Board of the Texas Department of Housing and Community Affairs.