



## City of Gastonia's Affordable Housing Programs Homebuyer's Assistance Program

The program's objective is to provide funds for modest income families for downpayment and closing cost to purchase a home by working with local lenders with CRA, FHA, and USDA loan products.

### **ELIGIBILITY:**

Applicant must be a resident of Gaston County but not within the city limits of High Shoals or Spencer Mountain or be a resident of the city limits of Kings Mountain, Cleveland County. If client is currently a resident within the city limits of Kings Mountain, Cleveland County but are moving to Gaston County, income will be based on the county where they currently reside.

Must be a first time homebuyer, displaced homebuyer or not have owned a home within the last three years.

Applicant's income cannot exceed 80% of area's median income per family size. The income guidelines are subject to change annually:

Gaston		Cleveland	
1 person	\$37,650	1 person	\$28,250
2 persons	\$43,000	2 persons	\$32,250
3 persons	\$48,400	3 persons	\$36,300
4 persons	\$53,750	4 persons	\$40,300
5 persons	\$58,050	5 persons	\$43,550
6 persons	\$62,350	6 persons	\$46,750
7 persons	\$66,650	7 persons	\$50,000
8 persons	\$70,950	8 persons	\$53,200

Base/regular income along with child support, bonus, overtime and/or commission income will be used to determine qualifying income. Written verification of all household members over the age of 18 will be used to determine total family income.

Applicant's assets cannot exceed \$20,000

## **UNDERWRITING GUIDELINES:**

**DTI Ratios: 30/41**

Compensating factors for increase of DTU Ratios by 1 – 2%:

- 700+ credit score,
- 2 month reserves,
- Monthly PITI not to exceed current rent of 125%.

If clients do not have a back end ratio the maximum ratio that will be allowed is **32%**.

Minimum of Borrowers own funds: \$500.00

**Clients cannot get funds back at closing;** they must zero out or may have to bring money to closing.

Program can be used with both FHA and USDA loans. For FHA loans, the program will allow for 3.5% down payment assistance, with the rest of the funds rest going towards closing costs (minus pre-paid items). If more than 3.5% down payment is needed, the lender will need to contact Case Management Specialist for approval. For USDA Loans, funding would go towards closing costs. The USDA Guarantee could be an eligible cost but will be on a case by case basis and will need approval from the Case Management Specialist.

Applicant funds applied to “prepaid items” in connection with the transaction. Seller can pay amount exceeding \$500.00, with maximum seller contribution of 6%. When the seller is providing closing funds, that money will first be directed towards any “prepaid items.” (*Prepaid items are found on lines 900-1008 on the HUD 1 Settlement*)

Base/regular income along with child support, bonus, overtime and commission income will be used to determine qualifying income. Neither child support nor Social Security benefits are grossed up. Current income will be projected for 12 months.

Reserves:

- Not required but prefer applicant to have an established banking relationship to substantiate savings habit.

Credit: Applicant must be a reasonable credit risk

- Follow the same guidelines as lenders for credit scores.
- Collections, judgments, liens, charge offs must be paid prior to closing and clients must provide documentation that they have been satisfied.
  - Medical collections are only required to be paid off if the lender requires so.

Bankruptcy:

- Chapter 7 – must be discharged for 2 years with re-established credit.
- Chapter 13 – can be within the repayment time with no missed payments and approval from bankruptcy court.

Foreclosures:

- Three years after foreclosure with no deficiency balance with written explanation and re-established credit

Repossessions:

- At least 12 months old with no deficiency balance

## ASSISTANCE AMOUNT:

Amount of assistance based on income and need:

<30% of AMI	- \$10,000
31 to 50%	- \$7,500
51 to 80%	- \$5,000

The Case Management Specialist will determine the amount of assistance to maintain affordability of the housing expense (25 to 30%) to the applicant's income so as not to over compensate. If lenders wish to use more than 3.5% for down payment you will need approval from the Case Management Specialist first.

Program cannot be used in conjunction with other programs, such as North Carolina Housing Finance Agency's down payment program, which will be doubling-dipping, or over compensating unless the applicant is below 50% of HUD's income guidelines. Gift funds from immediate family members cannot exceed \$5,000.00.

Funds are to be used for downpayment and closing cost expenses, which are secured by a second mortgage. Closing costs are for **customary and reasonable expenses**. **Funds cannot be used for payment of prepaids, debts, collections or judgments.**

There is no interest on the second mortgage and the term is 5 years.

The second mortgage becomes due and payable at the occurrence of a trigger event during the five-year term:

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

The down payment and closing costs assistance must be recaptured on a pro-rata basis for the time the homeowner has owned and occupied the housing measured against the required affordability period.

When the recapture requirement is triggered by foreclosure of the housing unit, and there are no net proceeds or the net proceeds are insufficient to repay the HOME Investment due, the City of Gastonia can only recapture the net proceeds.

For those clients facing foreclosure, but are actively working with a lender to restructure or refinance loan in order to remain in the home, we may be able to subordinate the City's second mortgage. Please contact our office to see if your client qualifies.

Minimum loan amount: \$1,000.00

## ELIGIBLE PROPERTIES:

Property must be used as primary residence.

Properties in Gaston County or city limits of Kings Mountain that are:

- Single family
- Condominium
- Manufactured home that is connected to permanent utility hookups

Community Development staff inspects each property for compliance with HUD's Housing Quality Standards. Prior to closing, the property must comply with Housing Quality Standards. Pre-1978 housing must not have clipping, cracking, or scaling paint.

**FIRST MORTGAGE LOAN CONDITIONS:**

- Preferred fixed rate mortgages
- Thirty-year term.

**GENERAL REQUIREMENTS:**

Homeownership education class required for anyone listed on the Deed of Trust. If the client has already completed the Homebuyer's Education class, certificates are only good for 2 years and they still must have the certificate as proof.

Private Home Inspection fee is eligible expense.

**Contract Contingencies:**

- (1) Applicant's approval for assistance through the City of Gastonia's Homebuyer's Assistance Program.
- (2) House must pass HQS Inspection
- (3) Federal Funds Addendum must be completed by both the seller and the buyer