HOME

HOMEBUYER ASSISTANCE PROGRAM

GUIDELINES

DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT

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CITY OF JOHNSTOWN, PENNSYLVANIA
HOMEBUYER ASSISTANCE PROGRAM (HAP)

I. INTRODUCTION:

It has been determined there is a need for homeownership opportunities for low- and moderate-income person(s) and families seeking to reside in the City of Johnstown.

To fulfill the need, the City of Johnstown will utilize HOME Investment Partnerships Program ("HOME") funds to establish a Homebuyer Assistance Program (HAP). HAP's purpose is to assist income eligible individuals and families to become homeowners through down payment and closing cost assistance.

It is not this Program's intent for the City of Johnstown to find eligible properties for potential homebuyers. Instead, it is the applicant's responsibility to find a single family attached or single-family detached residence.

II. ELIGIBILITY CRITERIA AND DEFINITIONS:

A. Income –

The funding source for the HAP is the U.S. Department of Housing and Urban Development's (HUD's) HOME Program. The involvement of Federal funds requires the City to comply with certain Federal regulatory requirements.

Under the HOME Program's regulations, a qualifying applicant for the HAP must be a low-and moderate-income person, family, or household as defined under HUD's HOME Program Income Guidelines (24 CFR Part 5) for the Johnstown Metropolitan Statistical Area (MSA). Gross household income must be less than 80% of the Area Median Income (AMI) for the Johnstown MSA. The HOME Income Limits are based on HUD estimates of median family income, with adjustments based on family size. The income guidelines are subject to change. See Exhibit A for current income limits.

B. Income Sources –

The household income for the program will be based upon total gross annual income. The definition of annual income shall be consistent with the Federal Regulation found at 24 CFR Part 5. Annual income shall be all anticipated income from all sources received by the family head, spouse, and by each additional member (aged 18 years and older, plus unearned income on behalf of members under age 18) of the family or household, related or unrelated, including net income derived from assets, for the twelve (12) month period following the initial determination of income. Annual income includes, but is not necessarily limited to:

- Wages, salaries, tips, commissions, etc.
- Self-employment income from ownership of a non-farm business, including proprietorships and partnerships.

- Farm self-employment income.
- Social Security or railroad retirement.
- Supplemental Security Income, Aid to Families with Dependent Children, or other public assistance or public welfare programs.
- Retirement, survivors, or disability pensions.
- Other sources of income received regularly, including Veterans' Administration (VA) payments, unemployment compensation, alimony and child support payments, and regular contributions or gifts from organizations or from persons not residing in the dwelling.
- Income derived from assets over $50,000.00 in value (dividends and interest). Excludes college savings plans and retirement accounts if tax deferred.
- Buyer may not have assets over $50,000.00 (excluding those tax-deferred accounts.) This includes real estate as well as investment or bank accounts. An exception may be made on a case-by-case basis if primary residence is sold to relocate to new residence as part of the HAP Program.
- Acceptable proof of income shall include, but not necessarily be limited to, the previous two year's filed Federal tax return (IRS 1040/1040A/1040EZ) and W2 forms; a minimum of two (2) months of wage and earning statements; copies of recent wage/salary or benefit check stubs; copies of bank deposit information identifying direct deposit arrangements; and recent monthly or annual operating profit-loss statements if the applicant or any other household member owns a business. The City of Johnstown reserves the right to request additional income documents such as third-party verifications of all income and assets as needed.
- The income qualification is valid for five (5) months upon approval. It must be updated by the applicant for approval with submission of more recent proof of income, if the applicant does not close on a home during that time period.

C. Eligible Homebuyer –

- For the purposes of the HAP, a "homebuyer" shall be defined as a person, family or household whereby:
- Homebuyer household income must be equal to or less than the 80% Area Median Income (AMI) limit to qualify for assistance.
- Homebuyer(s) must earn their Homeownership Counseling Certificate from a HUD approved counseling agency prior to receiving a final financial assistance commitment for the home purchase.
- The home must be the homebuyer's primary residence.
- Homebuyer(s) must provide a minimum of $500 or three percent (3%) of total sales amount, whichever is the lesser of the two, from personal resources.
- Homebuyer Assistance Program financial resources may be used in addition to other forms of financing.
- Homebuyer(s) must have cash assets available after closing to cover 3 months of mortgage and interest payments. The Underwriter will consider escrowed amounts towards the cash assets requirement.
- The homebuyer must provide letters if student loans accounts are deferred or in repayment plans.

D. Eligible Property –

- To comply with Federal regulations and to ensure safe, decent and affordable housing for potential HAP applicants, the following criteria apply to the selection of a dwelling:
- The dwelling unit must be located within the corporate limits of the City of Johnstown.
- It must follow the minimum property maintenance code for the City of Johnstown HOME Rehab Standards or be capable of being brought up to the jurisdiction's standards prior to occupancy.
- It must be a: 1) a vacant single family attached or detached residential unit; 2) a single family attached or detached unit currently occupied by a tenant (an eligible household) who wishes to purchase the unit; or 3) a single family attached or detached unit occupied by a homeowner who wishes to sell the unit to an eligible household.
- It must not contain evidence of defective paint surfaces (i.e., surfaces upon which paint is cracking, scaling, chipping, peeling or loose) on all intact and non-intact interior and exterior painted surfaces. If the dwelling unit contains defective paint surfaces, the City of Johnstown reserves the right to deny homebuyer assistance through HAP for the purchase of the subject property until the conditions are corrected.
- It will be occupied as the primary and principal residence of the homebuyer during the five (5) year period of affordability as referenced in Johnstown's Recapture Provisions of the HOME Program. Rental properties (whether for primary or secondary uses) are not eligible.
- The purchase of the dwelling unit cannot be financed through a lease purchase agreement, land contract, or seller financing.
- Bank mortgages may not have predatory terms or conditions.

E. Affordability Requirements –

- The following are affordability requirements:
- To analyze affordability, the City of Johnstown shall review on a case-by-case basis (with reasonable discretion) the household's gross monthly income using a not to exceed 35% guideline of monthly housing cost (i.e., mortgage payment of Principal and Interest, estimated property tax and insurance – PITI) versus monthly gross income.
- Homebuyers generally should provide no less than 20% of monthly income for monthly principal, interest, taxes, and insurance (PITI) payments.
- The buyer's total debt to income ratio should not exceed 43%. Total debt includes principal, interest, taxes, and insurance, car loans, student loans, credit cards, etc.
- Typically, the combination of the primary, first position loan and the homebuyer's cash funds will not exceed the sales price of the home. Therefore, the City subordinated HOME loan may be sized to cover all the closing-related costs that exceed the sale price of the homeownership unit being purchased, even if the homebuyer's PITI drops below 20% of monthly income noted above. In cases where

the homebuyer's housing contribution is between 20% and 30%, the City's loan is typically sized to also cover some portion of the down-payment amount for the purchase. (Closing-related costs may include origination fees, lender fees, taxes and recording costs, pre-paid and escrow amounts required by lender, title insurance, taxes pro-rated between buyer and seller, and similar adjustments).

- Generally, the City will size the loan using the deposit amount noted in the sales agreement as the minimum cash amount that the homebuyer provides for the purchase, notwithstanding any lower program threshold amounts which are identified in this document.
- The purchase value of the single family, dwelling cannot exceed the U.S. Department of Housing and Urban Development's (HUD's) HOME Program limit for a single-family dwelling. See Exhibit "A" for current maximum purchase value limit.

F. Housing Counseling –

- The HAP requires all applicants to complete a HUD certified housing counseling course prior to receiving a final financial commitment for home purchase. Evidence of attendance and completion of a housing counseling course is required. A list of HUD certified Housing Counseling Agencies which provide housing can be obtained from the City of Johnstown. Acceptable forms of evidence include a certificate of completion and/or letter from the course instructor/entity. City will review Counselor and Agency HUD Identification numbers.

III. TERMS AND CONDITIONS:

A. Application Fee –

- There is no fee associated with completing the application. An application is required to be completed by all households interested in participating in the Homebuyer Assistance Program. The application will assist the City in determining if the household and dwelling unit qualify for the Program. Please see Exhibit "B" Homebuyer Assistance Program (HAP) City of Johnstown Application.

B. Ranking Criteria –

- The City of Johnstown reserves the right to review and rank application submissions based on the criteria established in these guidelines.

C. Loan Amount –

- The City of Johnstown will provide up to $24,500 in HOME funds as a forgivable loan to eligible and approved HAP applicants for down payment and closing costs related to the purchase of a home. The amount of down payment assistance is determined by what is reasonable and customary. The total amount of assistance will

be determined on a case-by-case basis. The homebuyer must provide a minimum of $500 or three percent (3%) of total sales amount, whichever is the lesser.

D. Loan Term –

- Program assistance is provided in the form of a deferred payment, second mortgage loan. HAP provides a 0% interest forgivable loan with a term of five (5) years. The City will place a lien on the property purchased with HOME assistance funds and will subordinate to the first mortgage. The City will not accept a third lien position, except in a hardship case. If after five (5) years the HAP applicant has maintained ownership and has continued to live in the property assisted through the HAP, the loan is forgiven as a grant. However, if the HAP applicant sells, leases, or transfers the property or fails to use it as their primary and principal residence, the HAP applicant will be required to repay the appropriate amount of HAP assistance to be determined based on the City's Recapture Provisions of the HOME Program along with a penalty and interest rate as noted in the mortgage documents.

E. Recapture Provision –

- The Homebuyer Assistance Program uses the City of Johnstown's HOME Recapture Policy for Homeownership Activities based on the HOME program rules found in 24 CFR Part 92 and HUD Notice CPD 12-003. The Issue of recapture arises when a homeowner that received homebuyer assistance under the HOME Program decides to sell the property before the period of affordability expires. If the property Is sold after the period of affordability has expired, the satisfaction fee has been paid by the borrower, and satisfaction has been recorded by the City at the Cambria County Recorder of Deeds there are no restrictions in terms of recapture of HOME funds that apply to such a transaction. However, if the sale occurs before the period of affordability has expired, certain regulatory limitations apply. Attached as Exhibit F to Johnstown loan documents to be executed by the homebuyer for the HAP allocation is the Johnstown Recapture Policy. Confirm with the Johnstown Department of Community and Economic Development the dates that set the period of affordability.

F. Uniform Relocation Act –

- The requirements of the Uniform Relocation and Real Property Acquisition Policies Act of 1970 (URA) do not apply. However, the seller must execute a Voluntary Acquisition Notice (VAN) indicating this is a voluntary acquisition and they are not entitled to relocation benefits. See Exhibit G for a sample notice.

G. Flood Insurance –

If any property purchased with the assistance of the HAP is located within the 100-year floodplain, the purchase of Federal Flood Insurance is required annually during the five (5) year term of the loan. The City reserves the right to withhold and/or deny participation in HAP if the applicant fails to comply with this requirement prior to the loan closing. Furthermore, if the flood insurance on the assisted property lapses during the term of the loan, the HAP applicant will be required to repay the entire amount of the loan.

H. Property Maintenance –

During the five (5) year term of the HAP loan, the HAP applicant must keep the dwelling and property in compliance with the City's code requirements.

IV. ADMINISTRATIVE REQUIREMENTS:

A. Dwelling Inspection –

The City of Johnstown requires an occupancy permit to be issued in the event of a change of ownership, change of occupancy, or change of tenancy for every home in the City. The ordinance places the burden of obtaining this permit on the current owner prior to the change or transfer of occupancy or ownership.

The City of Johnstown as part of its municipal responsibility for issuing occupancy permits and shall be responsible for inspecting the dwelling unit for local code compliance prior to HAP application approval. The City shall use the standards for inspection based on the attached City of Johnstown HOME Investment Partnerships Program Rehab Standards Specifications, as well as the City's Code of Ordinances.

There are additional inspection requirements to be completed prior to finalizing the transfer of the property to new ownership. The City is responsible for performing the visual lead risk assessment. The dwelling must have no visual evidence of lead-based paint. Any issues found must be addressed per the Lead-Based paint regulations prior to closing. A termite inspection should be completed.

V. APPLICATION PROCESS:

A. Process and Procedure –

The following is the format for completing an application for the HAP:

- Any interested person, family, or household may request from the Johnstown Community and Economic Development Department a copy of the HAP guidelines.

- The interested party contacts a local partnership bank to pre-qualify for home purchase.
- The interested party submits a completed application (EXHIBIT "B") to the City for eligibility review and program compliance. An applicant will be notified via certified mail if they are determined to be ineligible.
- The interested party attends a HUD approved Housing Counseling Training and obtains a Certificate of Completion from a HUD approved counseling agency. Homebuyer(s) must earn their Homeownership Counseling Certificate prior to receiving a final financial assistance commitment for the home purchase.
- The interested party searches for an eligible dwelling as set forth under Section II D (Dwelling Requirements).
- The HAP Applicant applies through an approved local mortgage lender.
- The City conducts the inspection of the subject property for HAP compliance based on the City of Johnstown Code of Ordinances "Existing Structures Code" and City HOME Rehab Standards. Notification of the dwelling unit's compliance or non-compliance will be communicated to the HAP Applicant, the lending institution, and the realty company. In the event it is found that the dwelling does not pass the code inspection, the HAP Applicant may select another program eligible dwelling or negotiate with the property owner to correct the code deficiencies.
- The City will conduct a visual lead paint assessment. The results of the visual lead paint assessment will determine if further testing is required. If further testing is required, the potential buyer will have the option to proceed or begin the search for another property. If further testing is completed and the buyer wishes to proceed with the purchase, the appropriate mitigation procedures must be taken in accordance with HUD guidelines and be completed by a certified lead paint abatement firm and include post mitigation testing by a third-party certified lead paint inspector.
- The potential purchaser is responsible for having a pest inspection complete including at a minimum a termite inspection.
- The City contacts the HAP Applicant's mortgage lender and/or realtor to determine the agreed upon purchase price of the dwelling, the down payment amount required, and the loan closing cost.
- The City reviews the financial information obtained and conducts an Affordability Analysis for program compliance. If compliance is met the City determines the actual amount of HAP assistance and so notifies the HAP Applicant, the lender, and/or the realtor.
- The City sends a letter of loan commitment to the HAP Applicant, who reviews the terms and conditions, agrees to the terms, and returns a signed copy.
- The City and lender establish a mutually agreed upon loan closing date.
- The City completes the reservation of Funds form and prepares lien documents for signing at the loan closing.

- During the loan closing the City of Johnstown will provide a check made out jointly to the approved HAP Applicant and the lender in the amount approved by the City. The applicant will sign the City's loan documents.