

# City of Somerville

## Closing Cost and Down Payment Assistance Programs

### *WHAT DO THESE PROGRAMS OFFER?*

The City of Somerville can provide assistance in purchasing a home through two different programs. **You may apply for only one of the following programs.**

**Closing Cost 80 Program: Closing Cost Assistance** of up to \$5,000 is available for income-eligible *first-time homebuyer households* (earning up to 80% of AMI). This assistance will be offered in the form of a 0% interest, five-year forgivable loan. If the borrower lives in the property and it is their primary residence for five years, the loan is forgiven at the end of the five years. If the borrower moves or refinances the property prior to the five-year loan term expiring, the amount of the loan that remains at the time of default is due.

**Down Payment Assistance 80 Program: Down Payment Assistance** of up to 15% of the purchase price of the property is available for income-eligible first-time homebuyer households (earning up to 80% of AMI). This assistance is offered in the form of a 0% interest deferred payment loan. The borrower is also responsible for repaying a portion of the appreciation. The “Appreciation Share”, is calculated as follows:

$$\frac{\text{Appreciation Share (\$)}}{\text{Appreciation (\$)}} = \frac{\text{Principal Sum (\$)}}{\text{Acquisition Cost (\$)}} \times \text{Property}$$

As long as the borrower lives in the property as their primary residence, the loan is deferred. Upon moving or refinancing, the loan is due in full.

**Closing Cost/ Down Payment Assistance 110 Program: Closing Cost and/or Down Payment Assistance** of up to \$5,000 is available for income-eligible first-time homebuyer households (earning between 81 and 110% of Area Median Income). This assistance will be offered in the form of a 0% interest, five-year forgivable loan. This loan is forgiven at a rate of 20% per year that the buyer lives in the home.

Any property purchased through these programs must meet the State Sanitary Code/HUD Housing Quality Standards as determined by the Office of Strategic Planning and Community Development (SPCD) and must be properly established as a condominium if applicable. In addition, the property value must not exceed Federal 203(b) limits for the 80% of AMI programs (see page 5).

- All funds provided will be secured by a mortgage.

### *WHO IS ELIGIBLE?*

**Income Eligibility** is based on documenting current family income in accordance with HUD guidelines listed on Pg. 4 and does not provide a guarantee that participants will qualify for a mortgage. Participants need to obtain a 30 year fixed rate standard mortgage.

Participants receiving assistance through the program must **occupy the properties** purchased as their principle residence.

Participants must not have had an ownership interest in any residential property at any time during the three years preceding the date of application.

Participants must have completed or be scheduled to complete an approved Home Buyer Training Class.

Participants must be able to provide at a minimum, private funds of 3% of the Acquisition Cost of the property.

***Participants must apply prior to signing a purchase and sales agreement.***

## HOW DO I APPLY?

1. Buyers meet with a Bank to get pre-approved and *submit pre-approval letter(s) to City staff*. The participant's primary mortgage pre-approval must have conventional terms (30 year fixed-rate standard mortgage). The mortgage pre-approval must be from a bank or recognized lending institution using conventional underwriting criteria. Pre-approvals from other sources may not be accepted.
2. Complete an application. Upon being determined income eligible you will receive a certificate (active for 6 months).
3. Buyers locate their own property, negotiate the best price possible (must not exceed 203(b) limits for 80% AMI programs), have a private Home Inspection performed and sign an Offer to Purchase. *Submit copy of Private Home Inspection and Offer to Purchase to City staff*.
4. **SPCD must inspect the property** and develop a list of required repairs (if needed), **prior to the P&S agreement being signed. PLEASE NOTE:** Buyer must make arrangements with seller to allow Contractors a chance to view the required repairs and provide written estimates. *Buyer must submit estimates to City staff*.
5. Buyer re-negotiates price (if applicable) and enters into a Purchase and Sales Agreement. *Buyer submits copy of P&S agreement to SAHTF staff*
6. Buyer applies for a conventional-term mortgage with their chosen lender.
7. When mortgage is approved, the Bank will issue a Commitment Letter. *Buyer must submit a copy of Commitment Letter, Good Faith Estimate, Truth in Lending Statement and Bank Appraisal to City staff*.

*City staff will begin to process City loan documents ONLY when the above steps are completed. City staff will work with buyer and bank to determine a mutually convenient **closing date**.*

## Income Eligibility

Applicants must have incomes at or below 80% of Area Median Income. The Maximum Household Incomes by Household Size are as follows.

<u>FAMILY SIZE</u>	<u>80% INCOME LIMIT</u>	<u>110% INCOME LIMIT</u>
1	\$45,100	\$70,700
2	\$51,550	\$80,800
3	\$58,000	\$90,900
4	\$64,400	\$101,000
5	\$69,600	\$109,100
6	\$74,750	\$117,150
7	\$79,900	\$125,250
8	\$85,050	\$133,300

**PLEASE NOTE! PARTICIPANTS WHO ARE DETERMINED ELIGIBLE FOR THE ASSISTANCE STILL NEED TO BE DETERMINED ELIGIBLE FOR A MORTGAGE BASED ON LENDING INSTITUTION REQUIREMENTS. THE AMOUNT OF MORTGAGE YOU MAY QUALIFY FOR IS BASED ON YOUR INCOME, YOUR DEBTS, YOUR CREDIT, AND OTHER FACTORS AS DETERMINED BY THE LENDING INSTITUTIONS.**

ELIGIBILITY FOR THIS PROGRAM IS VALID FOR SIX MONTHS FROM THE DATE A CERTIFICATE IS ISSUED BY THE CITY. A CLOSING MUST OCCUR WITHIN SIX MONTHS FROM THE DATE A CERTIFICATE IS ISSUED BY THE CITY.

## Housing Value Limits

Any property purchased through either the Closing Cost Assistance 80 or Down Payment Assistance 80 Programs must fall below the federal 203(b) limits.

These limits are as follows:

<u>House Type</u>	<u>Maximum Value</u>
Condominium	\$360,573
Single-Family	\$360,573
Two-Family	\$461,611
Three-Family	\$557,979
Four-Family	\$693,432

Maximum Value includes the purchase value and any rehabilitation needed to get the property up to Housing Quality Standards.

## **Intake, Analysis & Determination**

The City staff shall perform intake and assign support staff collection of data responsibilities as needed.

Intake shall include, but not be limited to:

1. A fully completed application.
2. Four ***consecutive current*** pay stubs for each person earning income.
3. The most recent 1040 Federal Tax forms, W2s and associated documents (including 1099s, all pages and schedules).
4. A mortgage pre-approval from a conventional lender for conventional mortgage terms.
5. Copies of most recent bank account/investment account statements for every household member, all pages (even if last page is blank). This includes every savings, checking, 401(k), IRA, money market and certificate of deposit from every institution for each household member.

The City staff shall review all documents and determine income eligibility.

## **Certificate Issued & Pre-qualification**

Once the applicant has been certified as eligible and Income Verification forms have been signed, SAHTF staff shall issue a \*certificate to the applicant to include an expiration date within six (6) months.

A certificate can be renewed at the end of the six (6) month term, but a full income certification must be undertaken to do so.

**Program eligibility is only determined once a property is identified. This property must meet 203(b) value limits (for 80% of AMI programs only) and pass a Housing Quality Standards inspection. Funds are committed pending availability of funds at the time of closing. The City makes no guarantee that funds will be available at the time of income certification.**

The City staff shall mail out a certificate along with \* Steps to Follow letter.

## **Offer To Purchase And Home Inspection**

The applicant shall submit the Offer to Purchase property to the City staff.

The City staff shall review the Offer for completeness.

The City staff shall notify the applicant of the requirement to hire a Private Home Inspection Company. This inspection report is to be placed in the file.

The City staff will assign an Inspector and review the Private Home Inspection with him/her as well as the contact name and number. ***This must occur prior to a client signing a purchase and sales.***

## **Purchase & Sale Agreement And Bank Commitment**

City staff shall review the P&S for completeness and advise the client on any revisions based upon the Inspector's findings.

If the P&S is acceptable, the City staff shall advise the client to apply to a Bank or lender of their choice for a mortgage loan (provided the loan will be a 30 year fixed-rate standard mortgage). The City needs to receive a copy of the fully executed Purchase and Sale.

The client must submit an original Bank Commitment, Bank Appraisal, Truth in Lending Statement and Good Faith Estimate letter to the City staff prior to SPCD processing the Assistance check.

## **Closing**

The City staff shall coordinate a mutually agreeable "Closing Date" with buyer, seller, broker, bank and any other person deemed necessary to complete the transaction. After the Closing, the process to generate the Assistance Check will begin. Note: It takes 2 weeks to generate a check.

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