

EASTERN PANHANDLE HOME CONSORTIUM
OF WEST VIRGINIA

**HOMEBUYER ASSISTANCE PROGRAM
GUIDELINES**

**City of Martinsburg
Berkeley, Jefferson, and Morgan Counties**

Administered by the
Community Development Department
City of Martinsburg, West Virginia
232 North Queen Street, 2nd Floor
Martinsburg, West Virginia 25401
(304) 264-2131, ext. 278
www.cityofmartinsburg.org
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INTRODUCTION

The Eastern Panhandle HOME Consortium of West Virginia is responsible for providing HOME Program funds to meet housing needs for its member jurisdictions. The City of Martinsburg is the lead governmental body for the HOME Consortium and administers to the program. It has been documented through the City of Martinsburg's Fair Housing Analysis, Consolidated Plan that there is a need for homeownership opportunities for low-to-moderate income person(s), families or households.

To address this need, the Eastern Panhandle HOME Consortium, through the use of HOME Investment Partnership funds ("HOME"), has established the Homebuyer Assistance Program (HAP) for the City of Martinsburg, Berkeley County, Jefferson County and Morgan County, West Virginia. The HAP's purpose is to assist eligible families or households to become homeowners through down payment and closing cost assistance. To make home ownership an affordable reality, the HOME Consortium has formed a working partnership among the local lending institutions and realtors.

The Homebuyer Assistance Program does not find eligible properties for potential program applicants. It is the applicant's responsibility to find an available single family house, row house, duplex, or multi-unit residence. The dwelling unit must be located within Berkeley County, the City of Martinsburg, Jefferson County or in Morgan County.

I. 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 and the Community Development Block Grant Program (CDBG). Because federal dollars are the program funding source, the City is required to comply with certain federal regulatory requirements.

Under the HOME Program's regulations a qualifying applicant(s) for the HAP must be a low-and-moderate income person, family or household as defined under HUD's Section 8 Income Guidelines for the appropriate Metropolitan Statistical Area. The income guidelines are subject to change. Effective **March 6, 2015**, the guidelines are as follows:

Berkeley County and Morgan County (Hagerstown-Martinsburg MSA)

1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
\$42,500	\$48,550	\$53,550	\$54,600	\$60,650	\$65,550	\$75,250	\$80,100

Jefferson County (Washington Metropolitan MSA)

1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
\$45,150	\$51,600	\$58,050	\$64,500	\$60,650	\$74,850	\$80,000	\$85,100

B. Income Sources

Household income for this program will be based upon total gross annual income of all persons, included related and unrelated individuals who are part of the household, or will reside with the applicant. The definition of annual income shall be consistent with the federal regulation found at 24 CFR Part 5.609. Annual income shall be all anticipated income from all sources received by the head of household, spouse and by each additional member (aged 18 years and older) of the family or household, related or unrelated. Income includes net income derived from assets, for the twelve month period following the initial determination of income. All household income must be reported regardless of who the loan applicant is or who will hold title to the property. Annual income from all members of the household includes, but is not necessarily limited to:

- ❑ Wages, salaries, tips, commissions, etc.
- ❑ Self-employment income from own 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 program.
- ❑ Retirement, survivor, or disability pensions.
- ❑ Any other sources of income received regularly, including Veterans' Administration (VA) payments, unemployment compensation, and alimony.

Acceptable proof of income shall include, but not necessarily be limited to, the previous year's filed federal tax return (IRS 1040) and W2 forms; current wage and earning statements; copies of recent wage/salary or benefit check stubs; and copies of bank depository information identifying direct deposit arrangements, for each member of the household. The City of Martinsburg reserves the right to request additional income documents such as third party verifications of all income and assets as needed.

C. First Time Homebuyer

For the purposes of the HAP, a "first time homebuyer" shall be defined as a person, family or household whereby:

- ❑ The purchasers must not have owned a home within the past three years; or
- ❑ A displaced homeowner situation exists whereby a home is lost due to unemployment, underemployment or other economic loss; or
- ❑ A displaced homemaker situation exists whereby the homeowner has not worked full-time in the labor force for a number of years, worked primarily without remuneration to care for the home or family, and who is unemployed or underemployed.

D. Dwelling Requirements

To comply with federal regulations and to ensure safe, decent and affordable housing to potential HAP applicants, the following criteria apply in the selection of a dwelling:

- ❑ The dwelling unit must be located within the geographic limits of Berkeley County, the City of Martinsburg, Jefferson or Morgan County; and
- ❑ It must be in compliance with the currently adopted International Property Maintenance Code or be capable of being brought up to code at a minimal cost; and
- ❑ It must be a single family detached home, row structure, duplex, or multi-unit residence. If it is a manufactured housing unit it must be on a permanent foundation and be taxed as real property; and
- ❑ 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 Martinsburg reserves the right to deny homebuyer assistance through the HAP for the purchase of the subject property; and
- ❑ It will be occupied as the primary and principal residence of the first time homebuyer; and
- ❑ The purchase of the dwelling unit cannot be financed through a land contract or seller financing.

E. Affordability Requirements

The goal of the HAP program is to help eligible first time homebuyers become homeowners. To accomplish this, then there has to be an affordability requirement. To analyze affordability, the HOME Administrator at City of Martinsburg reviews the lender's financial information and HAP required financial information to conduct a financial or affordability analysis. The front end ratio (needs assessment) includes the primary loan's principle, interest, taxes, insurance and mortgage insurance (PITI). This ratio cannot be above thirty percent (30%) of the monthly housing expense ratio of individual, family or household gross monthly income. The back end ratio (risk assessment), including PITI, should not exceed forty percent (40%) of the homebuyer's monthly gross income. All monthly debt, including any long term debt and student loans will be included in the monthly debt calculations. The Fannie Mae rule dealing with student loans applies. For all student loans, whether deferred, in forbearance, or in repayment (not deferred), the lender must use the greater of the following to determine the monthly payment to be used as the borrower's recurring monthly debt obligation:

- 1% of the outstanding balance; or
- the actual documented payment (documented in the credit report, in documentation obtained from the student loan lender, or in documentation supplied by the borrower). If the payment currently being made cannot be documented or verified, 1% of the outstanding balance must be used.

Exception: If the actual documented payment is less than 1% of the outstanding balance and it will fully amortize the loan with no payment adjustments, the lender may use the lower, fully-amortizing monthly payment to qualify the borrower.

The amount of the HAP loan shall be determined by the amount of funds required to make the first mortgage affordable. The City reserves the right to evaluate the homebuyer's affordability ratio and approve the HAP loan amount.

- The purchase value of an single family, detached dwelling cannot exceed the U.S. Department of Housing and Urban Development's (HUD's) HOME Homeownership Value Limits found in 24 CFR 92.254(a)(2)(iii) of the Final Rule published July 24, 2013, effective April 13, 2015. The Home Value Limits for the Eastern Panhandle HOME Consortium of West Virginia are:

	Existing Homes	New Homes
Berkeley and Morgan Counties	\$199,500.00	\$210,000.00
Jefferson County	\$219,000.00	\$219,000.00

F. Homebuyer Education Requirement

The HAP requires all applicants to complete a homebuyer education course prior to closing the loan. Evidence of attendance and completion of a homebuyer education course is required in completing a HAP Pre-application. Acceptable forms of evidence include course diploma, certificate, and/or letter from the course instructor/entity. Homebuyer education and housing counseling is offered through the following organizations, including, but not limited to: Partnership for Affordable Housing, Telamon Corporation, and the Hagerstown Home Store.

II. TERMS AND CONDITIONS

A. Ranking Criteria

The HOME Administrator reserves the right to review and rank Pre-application submissions on the basis that best serves the financial and productivity goals of the HAP.

B. Loan Amount Determination and Assets

Homebuyers are expected to seek a first mortgage on the most affordable and favorable terms possible. They should try to obtain a West Virginia Housing Development Fund Mortgage, a UDSA Rural Development Direct mortgage or equivalent mortgage product. **The first mortgage must be a fixed rate loan with a term of 30 or more years. Adjustable rate first mortgages will not be approved. Loans with co-signers will not be approved.** The City of Martinsburg may provide up to \$14,500 in HOME as a **forgivable loan, at zero interest**, to eligible and approved HAP applicants to cover the down payment and closing costs related to the purchase of a dwelling. **The homebuyer must provide a minimum of \$500.00 of their own funds toward the total down payment and closing cost expenses.** Documented proof has to be provided to show evidence of the 500.00 requirement. It can be the earnest deposit check which is the easiest proof that is attached to the sales contract. Any other out of

pockets expenses that the applicant (s) must pay to purchase the house can be used. However, a copy of the cancelled check and invoice has to be submitted as part of the application process and documented as such. It cannot be at the last minute during the loan closing. Homebuyers with liquid, non-retirement assets greater than \$15,000 are expected to use the funds in excess of \$15,000 toward the purchase of the home. Gift funds to the homebuyer for the purchase may not exceed \$5,000.00. An applicant can also use the First Front Door Program (www.firstfronddoor.com) for first time homebuyers from the Federal Home Loan Bank of Pittsburgh in conjunction with the HAP Program.

C. Loan Term and Affordability Period

The HAP allows for a forgivable loan with a term of five years for loans up to a maximum of \$14,500. The loan term is also referred to as the **affordability period**. The City of Martinsburg will place a lien on the property purchased with HOME assistance, as applicable, and the City will subordinate.

If the HAP applicant has maintained ownership and has continued to live in the property assisted through the HAP for the entire affordability period, the loan is forgiven as a grant. If the HAP-assisted homeowner sells, leases or transfers the dwelling, or fails to use it as their primary and principal residence, the homeowner will be required to pay the principal balance of the HAP loan to the City.

1. **For HAP loans that are up to \$14,500, the term of affordability for the loan (recapture period) is five (5) years which is sixty (60) months.**
 - a. During the term of the HAP loan, in the event ownership of the property is transferred, as defined in the Promissory Note, from the name of the homebuyer, or the property is no longer occupied as the homebuyer's principal residence, the recapture provisions of the HOME subsidy will apply.
 - b. Requests for subordination of the HAP loan for refinance purposes will not be approved.
 - c. In the event of sale or transfer of the property during the term of the HAP loan, repayment of the HAP loan is determined by the availability of net proceeds. Net proceeds of a sale are the sales price minus closing costs, any non-HAP loan repayments, and any documented capital improvements made by the homebuyer.
 - i. In the event net proceeds exceed the amount to repay both the homeowner's investment and the principal balance of the HAP loan, excess proceeds will be paid to the homeowner using the following formula. The homeowner's investment consists of the portion of initial down payment paid by the homebuyer combined with the cost of any documented capital improvements made with the homebuyer's funds. The homeowner's investment in the property must be documented at the time of the sale or transfer of the property.

$$\frac{\text{Direct HOME Subsidy Amount}}{\text{Direct HOME Subsidy} + \text{Homeowner Investment}} \times \text{Net Proceeds} = \text{HOME Recapture Amount}$$

- ii. In the event that net proceeds are not sufficient to repay the entire HAP loan, the principal balance at the time of sale or transfer will be pro-rated.

$$\frac{\text{Number of Years Homebuyer Occupied Home}}{\text{Period of Affordability in Years}} \times \text{Total Amount of HOME Subsidy} = \text{Pro rated Recapture Amount}$$

D. Uniform Relocation Act

Because the HAP applicant, not the City of Martinsburg, will take responsibility for the selection and negotiation of a dwelling unit, the requirements of the Uniform Relocation and Real Property Acquisition Policies Act of 1970 (URA) are not triggered. The City reserves the right to deny assistance in circumstances in which compliance with the URA may be required.

E. Flood Insurance

On any property purchased with the assistance of the HAP and located within a 100-year floodplain, the purchase of federal flood insurance is required annually during the five-year term of the loan. The City reserves the right to withhold and/or deny participation in the 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.

F. Property Maintenance

During the term of the HAP loan, the HAP applicant must keep the dwelling and property in compliance with the HOME Program code requirements. Failure to do so will result in the repayment of the entire amount of the loan

III. ADMINISTRATIVE PROCEDURES

A. Regulations

The City of Martinsburg shall be responsible for compliance with the HAP's environmental review requirements and income verification requirements.

B. Dwelling Inspection

The City of Martinsburg and the participating jurisdictions shall be responsible for inspecting the dwelling unit for local code compliance. Repairs must be completed before closing the loan.

IV. APPLICATION PROCESS

The following is a suggested format for making application for the HAP:

1. Any interested person, family or household (interested party) may request from the City's Community Development Department (CDD) a copy of the HAP guidelines. The guidelines can be downloaded from the City of Martinsburg's website under the Community Development Department.
2. The interested party obtains a mortgage loan pre-qualification letter, Form 1003 and/or Good Faith Estimate (Form 1008) from a lender. City will confer with the interested party and the lender to discuss HAP eligibility.
3. The interested party completes Homebuyer Education.
4. The interested party submits a completed Pre-application with all the supporting documentation on the checklist. Once eligibility is determined then a **HAP Certificate of Eligibility is issued**. The Certificate is valid for six months from the date issued.
5. The interested party takes responsibility to select an eligible dwelling unit as set forth under Section II D (Dwelling Requirements).
6. The pre-applicant **executes a contract of sale** including a contingency of mortgage financing and submits a copy to the HOME Administrator.
7. The City secures an inspection of the subject property for HAP compliance which shall be the most recently adopted **International Property Maintenance Code**. Notification of the dwelling unit's compliance or non-compliance will be communicated to the Pre-applicant, the lending institution and the real estate company. All properties must be in compliance with the code prior to closing.
8. In the event it is found that the dwelling does not pass the code inspection, the Pre-applicant may select another program eligible dwelling or negotiate with the property owner to correct the code deficiencies.
9. 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 the City provides the pre-applicant with a **Reservation of Funds letter** which is valid for ninety (90) days and notifies the applicant and lender and/or the realtor.
10. The City and lender establish a mutually agreed loan closing date. The City needs a week's notice to be able to request funds for loan closing.
11. The City prepares lien documents for signing at the loan closing. Prior to the loan closing a City representative will provide a check payable to the closing attorney for the benefit of the HAP borrower in an amount approved by the City.