

CITY OF DENISON FIRST TIME HOME BUYERS PROGRAM

Section 1: Basic Concept

Goal of the Program

The goal of this program is to increase home-ownership among low/moderate income households in the City of Denison.

Objectives

The objective of the First Time Home Buyers Program is to assist low/moderate income first time home buyers with a \$2,500 grant to pay all or a portion of the closing cost expenses. If funds remain after closing costs are paid, the balance can be applied to the down payment.

Purpose

The purpose of this program is three-fold:

- to decrease cost burdening rental situations
- to increase the quality of housing stock
- to increase the buying power of first time home buyers

Section II: Eligible Area

Homes eligible for closing cost assistance must be within the corporate city limits of Denison. Any census tract and block group within the city limits is eligible.

Section III: Eligible Properties

Criteria

Homes must be located in the City of Denison.

Maximum closing cost and down payment assistance is \$2,500.

Requirements

The house to be purchased must pass a basic exterior and interior inspection by an inspector provided by the City of Denison. There must not be visible chipping, peeling, flaking or cracking paint on the interior or exterior of the house if the structure was built before 1978. The City of Denison will inspect the property one time and determine eligibility. The inspection report must be included in the file before approval is determined.

If the house is located in a FEMA 100-year flood plain flood insurance must be provided for the life of the loan.

The house must be appraised by an independent appraiser certified by the State of Texas.

The house must be a single detached unit, condominium, townhouse, or manufactured home that meets City building codes.

Ownership should be Fee Simple title.

Buyer must occupy the house as the principle place of residence.

Section IV: Eligible Home buyer

First-time Home Buyer

A first time home buyer is a person or household who has not owned a home.

Exceptions

Other persons or households can also be considered first-time home buyers if they meet one of the following exceptions. He or she

- has not owned a home in the past Three (3) years
- owns a mobile home that is not permanently attached to the pad
- lost his/her home during a natural disaster
- is a displaced homemaker, someone who is the sole caretaker of the children before a divorce
- is a single parent

Section V: Income Eligibility Guidelines

Income Eligibility

The most recent HUD Median Family Income Limits will determine income limits for the Denison-Sherman MSA. The income limits are usually updated annually, and lenders should contact the Office of Community Development at the City of Denison to be sure they are using the most current income limits.

Income Definition

Income is any source of funds that is available to the applicant. Income can include, but is not limited to, wages, unemployment, alimony, child support, government assistance, retirement benefits, stocks, bonds, savings, any source from any person that contributes to the household, etc. All sources of income from each member of the household must be reported and verified. To qualify as a low/moderate income household, the applicant must have an annual gross income that does not exceed 80% of the median income for the area, adjusted for family size, as determined by the U. S. Department of Housing and Urban Development. As with other Community Development Block Grant programs, the City of Denison will verify the household income by obtaining copies of the applicant's most current three years Federal Income Tax returns, W-2's, 1099's, three most recent months bank statements, current employment check stubs showing name, date, wages, hours and YTD earnings, copies of current Social Security checks or disability checks.

Median Family Income (MFI) Statistics

The MFI is determined by Census Data and then adjusted for family size; this includes each person living in the household. Median Family Income Statistics are adjusted each year and it is the responsibility of the lending institution to check with the City of Denison to be sure they are using the most current income guidelines available. The current MFI is \$57,900* (*as of 03-10-09). The median incomes adjusted for household size are as follows:

Household Size	Median Income*
1	\$32,400
2	\$37,050
3	\$41,650
4	\$46,300
5	\$50,000
6	\$53,700
7	\$57,400
8	\$61,100

* As of 03-10-09

Low and Moderate Income Definitions

The maximum allowable income in each category is based on the following definitions:

Extremely Low-Income - household at or below thirty percent (30%) of MFI.

Low-Income - household at or below fifty percent and above 30% (31%-50%) of MFI

Moderate Income - household at or below eighty percent and above 50% (51%-80%) of MFI

Eligible Uses for Grant Funds

The grant funds will be first used for closing costs. If there is a balance after closing costs are paid, the funds may be applied to the down payment.

Section VII: Fair Housing and Marketing

Fair Housing

The City of Denison requires all realtors, appraisers, and lenders to operate business in accordance with the Fair Housing Ordinance, which states:

It is illegal to discriminate against any person because of race, color, religion, sex, handicap, familial status, or national origin

- in the sale or rental of housing or residential lots
- in advertising the sale or rent of housing
- in the financing of housing
- in the provision of real estate brokerage services
- in the appraisal of housing
- Blockbusting is also illegal

An aggrieved person may file a complaint of a housing discrimination act with the City of Denison Community Development Office.

Program Marketing

Since the funding for this program is derived from the City of Denison's Community Development Block Grant program, funds will be available around October 1st of each fiscal year providing the activity is approved by the City Council. The City of Denison will market the program in all manners available to them such as the government access channel, the public access channel, the *Herald Democrat*, and letter to each lender that has participated in the program in prior years. The participating lenders will also make available information about the program and offer it to qualifying buyers.

Section VIII: Grant application Process

Application Forms and Instructions

Application for the program will be through the local lending institutions. The City of Denison Office of Community Development will furnish each lending institution with a packet of forms that have been approved by the Denison City Council. The lending institutions will make copies as required for each application.

Review Process

The projects will be funded on a first-come first-served basis. When a project is submitted to the program administrator for the first review, and approved, funds will be reserved. The first review will be verification of income, documentation that the applicant has not owned a home in the past three years, map and panel showing that the property on a FEMA designated flood plain, and an inspection by the City of Denison to verify that the house meets basic housing standards and review for possible lead-based paint hazards. Time for the first review may take up to one week to complete. If the project is reviewed and approved at that point, a letter will be sent to the lender notifying them of approval. No funds will be reserved without the first review and approval letter.

When the approval letter is sent to the lender notifying them of funding, the remainder of the check list should be completed and forwarded to the program administrator. The remaining documentation must be in the file before a check is released. Faxed copies will be acceptable for the first review. Final review will require original forms as required on the checklist.

Notification of Rejection

There are several mechanisms that can lead to rejection. The applications are first reviewed by the program administrator for income eligibility and first-time homebuyer status. Once verified by the City of Denison, there is no assurance the project will proceed to closing. The applicants must meet all requirements of the lending institution. If there is a rejection because of program requirements of the U. S. Department of Housing and Urban Development and the City of Denison, a letter will be sent to the lender with the reason(s) identified.

Home Selection

The applicant may select a home that is within the city limits of Denison, preferably not in a flood plain, to be approved for closing cost assistance. It is recommended that the applicant receive pre-approval from the lender to have a better idea of price range.

Loans

All lending institutions are eligible to participate in the First Time Home Buyers Program. Owner financing is not eligible for assistance under this program.

Section IX: Grant Approval and Loan Closing

Grant Approval

The applicant will need to follow all normal procedures used to purchase a home, including lender underwriting. If for any reason the applicant is denied a loan after the first review by the City of Denison, the lender will mail a photocopy of the rejection letter to the program administrator to keep in the file and to release the hold on funds.

The city of Denison will inspect the house one time to verify that it conforms to basic housing standards and is determined to be "lead safe".

Preparation for Loan Closing

All approvals must be made before closing can take place. This will include complete documentation and inspections. The closing cost assistance must be requested by the lending institution before noon on a Monday to receive a check after 1:00 p.m. on a Wednesday.

Legal Commitment

The applicant will be required to live in the house for two (2) years following closing. If, for any reason, the house is sold or rented during the affordability period, the full grant amount must be repaid to the City of Denison. If the sale price does not support the full repayment of the CDBG subsidy, then the net proceeds after closing costs, will revert to the City. Refinancing is prohibited for two (2) years.

Section X: Housing Standards

Appraisal

The house to be purchased must undergo a full appraisal by a Texas Board Certified Appraiser. The appraiser will follow all procedures required by Texas State law.

Home Inspection

The house to be purchased must undergo a basic interior and exterior housing inspection. The inspector will be hired by the City of Denison. During the inspection process the inspector will check to be sure that the house is livable. Areas to be inspected include but are not limited to the roof, electrical, basic structural soundness, window/door panes, etc and to determine visually that the home "lead safe". The City will place a report of the inspection in the file.

Environmental Conditions

The house should not be located in a flood plain, airport clear zone, or coastal water zone. The only concerns that affect Denison are flood plain and airport clear zone. A FEMA map must be included in the loan file showing the location of the property and a copy of the face of the panel from which the map was taken. If the property is located in a 100-year flood plain as indicated on the map flood insurance will be required for the life of the loan.

Section XI: Additional Program Guidelines

This is not meant to be an all inclusive document. Requirements vary from lending institution to lending institution. If an area of concern is not covered with this document, contact the program administrator as early in the process as possible to discuss the concerns. These guidelines will be reviewed at the beginning of each program year for updates and changes to make to process more efficient. The program administrator will notify all participating lending institutions of any changes to the program guidelines at the beginning of the program year. This will include revised income guidelines as published and released by the U. S. Census Bureau and the U. S. Department of Housing and Urban Development.