

192.8 SUBJECT: DOWN PAYMENT ASSISTANCE (DPA) PROGRAM**:1 OBJECTIVE:**

To improve the quality of life for residents by providing opportunities for homeownership of newly constructed and existing homes.

:2 AUTHORITY:

This procedure was adopted by City Council on September 8, 2008, Item A16.

:3 DIRECTION:

Housing Financial Specialist under the supervision of the Housing and Community Development Program Manager.

:4 METHOD OF OPERATION

A. The City of Orlando has designed a number of DPA programs available to assist income eligible households in purchasing a home that is located in the City. The maximum funding levels for each program are as follows:

PROGRAM	PERCENT OF THE AREA MEDIAN INCOME	MAXIMUM SUBSIDY AMOUNT
Citywide DPA Program	At 50% of the Area Median Income	\$30,000
	Between 50%-80% of the Area Median Income	\$20,000
	Between 81% - 120% of the Area Median Income	\$10,000
Teacher Home Purchase Program	Between 81%-120% of the Area Median Income	\$20,000
Safety 1 st Program	Between 81%-120% of the Area Median Income	\$20,000
City of Orlando Employer Assisted Housing Program	Between 81%-120% of the Area Median Income	\$20,000
American Dream Homeownership Program	At 80% or Below Area Median Income	\$10,000

The DPA program is designed to provide financial assistance to qualified very low, low and moderate-income first time homebuyers. First time homebuyers are defined as persons who have not owned a home in the prior three (3) years. The program recognizes seven three types of households that can qualify as “first time homebuyers” although they may have owned a home within the 3-year period prior to the current purchase. The seven three-exceptions are as follows: a “displaced homemaker”, a “single parent”, and a “former Parramore heritage homeowner,” “Orange County teacher”, “public safety personnel”, “City of Orlando employee” and persons purchasing a home in the Parramore area”. A “displaced homemaker” is an adult individual who has not worked full time for a full year in the labor force

but has during such as time worked primarily without payment to care for the home and the family; and is unemployed or underemployed, and is experiencing difficulty in obtaining or upgrading employment. A “Single parent” means an individual who is unmarried and has one or more minor children for whom the individual has custody or joint custody or is pregnant. A “former Parramore homeowner” is a household who owned a home in the Parramore neighborhood (area bounded by Colonial Drive to the North, Gore Street to the South, Orange Blossom Trail to the West, and I-4 to the east) and was displaced because of a redevelopment initiative by the City of Orlando.

Teachers or administrators are those employed full time by a public or private school with a K-12 curriculum in Orange County. The teacher or administrator shall agree to work in the school system for a minimum of five years after receiving assistance. Public safety personnel are those persons who are full time employees of police departments, sheriff’s department, department of corrections or other law enforcement agencies or members of local fire departments responsible for at least one of the following: fire suppression, emergency medical response and patient care, fire and injury prevention, arson investigation, hazardous material, incident response and management, and/or response to acts of terrorism. The public safety officer shall agree to work in the same field for a minimum of five years. A City of Orlando employee is one who is employed full-time and has completed probation and agrees to work for the City of Orlando for at least five years after receiving assistance.

- B. All applicants must own the property in fee simple and be owner occupants of the property. Non-occupant co-borrowers will not be eligible for assistance.
- C. Assistance is based on the applicant’s total household income, adjusted for family size. The income limits are provided by the Department of Housing and Urban Development (HUD) and by the Florida Housing Finance Corporation (FHFC).
- D. Applicant may not have more than \$7,500 of liquid assets excluding the funds being used on the transaction. Liquid assets are assets that may be converted into money quickly without loss of the original investment.
- E. Prior to loan closing, applicants must complete a City approved pre-purchase counseling and homebuyer’s education program that is offered by a housing counseling agency contracted by the City. This program shall consist of at least one one-on-one counseling session to enable the homebuyer to discuss with a counselor their specific circumstances and financial situation to determine the client’s needs before purchasing a home and a pre-purchase homebuyer seminar to assist them in the process of purchasing a home. At the end of the one-on-one counseling session, the counseling agency must provide a counseling agreement detailing the terms and conditions that need to be met by the homebuyer. The buyer must comply with any conditions imposed by the housing counseling agency in the timeframe required by the Agency. At the end of the pre-purchase homebuyer seminar, the counseling agency must provide a certificate of completion. The counseling agreement and the certificate of completion must be included in the application package for the DPA

Program. Documentation obtained more than two years before the application is submitted will not be accepted.

- F. Applicants must commit to attend three (3) a post-purchase counseling sessions within the first (3) years after purchase of the home. This commitment will be a part of the DPA agreement or other loan documents signed by the applicant as part of the closing. Buyers that do not attend will be in default of the DPA agreement and the City may demand repayment of the down payment loan plus an accrued annual ten percent interest and exercise all available legal remedies.
- G. Applicants must be approved for a primary mortgage before participating in the DPA Program. Applicants must use a mortgage broker or lender that has been “certified” by the City of Orlando and who is listed on the City’s Approved Lender List. Any party, lender and/or applicant providing false information (i.e. employment status, income, household composition, assets, etc.) will be suspended from accessing DPA program funds.
- H. The property being purchased by the applicant must be located within the boundaries of the City of Orlando. The property may be a new or existing single family home, a townhome unit, a condominium unit, or a manufactured home. Mobile homes or trailers are not eligible.
- I. The property must not exceed the maximum sales price for housing as established by City Council, from time to time. The appraised value, as determined by a certified appraiser, must meet or exceed the sales price of the subject property. The total of the first mortgage plus the City’s assistance may not exceed 105% of the appraised value.
- J. The “resale” property that is being purchased (i.e. existing homes that are not newly constructed) must meet all federal, state and local housing codes. If a home has not obtained a certificate of occupancy by the Office of Permitting Services, City staff from the Housing and Community Development Department must complete and pass the Housing Quality Standards (HQS) inspection of all resale units before funds are released. This inspection does not substitute for the home inspection recommended as part of a home purchase. The City will assume the cost of the initial HQS inspection, and if necessary, one re-inspection. The City will undertake additional inspections if necessary. However, if a third or subsequent inspections are needed, there will be a cost of \$50.00 per inspection. The fee shall be charged to the seller, not the applicant. The title company handling the closing will collect the fee and will forward the check to the City of Orlando. Repairs required by inspections are to be completed prior to closing and the release of any funds.
- K. The City will test for lead based paint on existing homes, built prior to 1978. Abatement may be required at the seller’s expense.
- L. Homes that are newly constructed must have a Certificate of Occupancy (CO) before the release of any funds.

- M. The size of the residence must be consistent with the requirements for family size as established by local and federal codes. Overcrowded units will be rejected.
- N. If the property is located in a 100-year floodplain, flood insurance is required.
- O. Property that is being acquired can be either owner-occupied or vacant. Prospective purchasers applying for DPA are not eligible to receive assistance if the property is occupied by tenants other than the applicant at the time the contract is signed. The City will not pay for relocation expenses.
- P. DPA funds can be used for down payment, closing costs, reserves, prepaid items and principal mortgage reduction in association with the purchase of a home. These costs can be associated with new mortgages or assumed mortgages. All mortgage financing must be arms length transactions. Properties financed by construction permanent loans, adjustable rate loans, or seller financing are not eligible to participate in the DPA Program. Stated income loans are not allowed.
- Q. The City of Orlando will monitor closely the terms of the first mortgage loans (interest rate, loan origination fees, discount points, etc.) for reasonableness on a case by case basis. The City's funds will not substitute for any closing expenses typically paid by the seller as per the contract for sale and purchase. In addition, sellers will pay, at a minimum, the Owners Title Insurance Policy, the Documentary (DOC) Stamps on the Deed, and the Builders Warranty (if applicable). Interest rates in excess of two (2) points above market will not be accepted. Fees will be limited to one (1) percent of the loan as origination plus one (1) percent to include discount, buy down, document preparation, underwriting, processing, etc.
- R. The credit and financial capacity of the applicants will be determined by the approved lenders through credit verifications and the determination of their ability to pay the first mortgage based on their income. Applicants who have filed for bankruptcy two (2) years prior to requesting DPA assistance are not eligible for the DPA Program. Since filing bankruptcy, applicants must have a clean credit history and no unresolved credit issues.
- S. The following underwriting guidelines will be followed. A minimum representative credit score of 580 is required. The middle score of the three sets of repository scores reported is the represented credit score. If no score is available, alternative documentation may be used to demonstrate credit worthiness such as twelve (12) months rent and utility payments. Maximum debt to income ratio shall be 45% or less. Housing expense ratio shall be 38% or less. Exceptions to minimum credit scores and debt to income ratio limits are possible with strong compensating factors including, but not limited to, things such as loss of employment, sickness, change in household composition, and other similar circumstances. The City will require the approved lender to execute an affidavit stating that at a minimum the lender reviewed the credit reports and verified the household's income to ensure it meets the City's underwriting guidelines.

- T. Buyers must contribute a minimum of \$1,000 of their own funds to receive DPA. No gift letter will be accepted for the \$1,000 contribution.
- U. The City's DPA Program may be used to complement other down payment programs if the need for further subsidy can be demonstrated. In these situations, the City may take a third or further subordinate lien position.
- V. The buyers must occupy the unit as a their principal residence for a minimum of ten (10) years. . If the buyer occupies the home for ten (10) years, the restrictions will be satisfied and the loan will not be required to be repaid. Circumstances triggering a default during the 10 year affordability period include: if the house is sold, rented, leased, subleased, ceases to be owner occupied or if the home is refinanced to withdraw equity for a home equity loan or for debt consolidation, or death. If the buyer fails to occupy the unit as its principal residence for a minimum of ten (10) years or otherwise defaults on the loan, then the entire loan must be paid back, including annual interest of ten percent (10%).
- W. The City will not subordinate a down payment assistance loan within the first two years of its existence. Requests for subordination after the first two (2) years to refinance the first mortgage in order to get a lower interest rate, which will result in a lower monthly payment, will only be approved if the value of all outstanding loans does not exceed 95% of the appraised value of the property with the exception of streamlined refinancing. Requests for subordination to refinance the first mortgage to withdraw equity from the property or to consolidate debt will be denied. Approval for subordinations may only be granted by the Housing and Community Development Department Director or designee.
- X. Closing of the first mortgage must occur within 30 days from the date the City's Commitment letter (i.e. the DPA Agreement) is issued or the commitment will be void. Applicants must allow 14 working days after receipt of a complete package for the City to release a check.
- Y. Buyers of properties that are being developed with financial assistance from the City will receive priority when allocating downpayment assistance. Otherwise all applications will be processed on a first come first serve basis after receipt of a complete package from the lender.

:5 FORMS:

As developed from time to time by the Housing and Community Development Department and reviewed by the Office of Legal Affairs.

:6 COMMITTEE RESPONSIBILITIES:

None

:7 REFERENCE:

Adopted by City Council September 8, 2008, Item A16.

:8 EFFECTIVE DATE:

This procedure is effective September 8, 2008.