

2011-2012






Mortgage Assistance Program

CITY OF VICTORIA
Community Development Block Grant

Adopted by City Council: September 15, 2009

I. PROGRAM OVERVIEW

The City of Victoria MORTGAGE ASSISTANCE PROGRAM has been created to assist low-income families in achieving the "American Dream" of owning their own home. The objectives of the Program include:

-  to enhance the opportunity of low income families to own a home of their own;
-  to increase the rate of home ownership among low income families in Victoria;
-  to provide home ownership as a means for low income families to increase their equity and savings;
-  to reduce the pressure on the supply of rental housing in Victoria by converting renters into home owners; and,
-  to promote neighborhood stability by encouraging the purchase of Victoria's existing permanent housing stock.

To meet these objectives the City will utilize Community Development Block Grant (CDBG) funds to provide resources to be awarded to low income families who would otherwise qualify for a home mortgage from a financial institution, but for the lack of funds to cover down payment and closing costs.

The Program reflects the guidelines and administrative requirements of the U.S. Department of Housing and Urban Development (HUD), and is subject to change to conform to CDBG rules and regulations. The City has the right to change, modify or revoke all or any part of the Program guidelines, with approval of City Council.

The City of Victoria is dedicated to promoting and furthering fair housing. The Federal Fair Housing Act prohibits discrimination in all types of housing transactions such as in the sale, rental, and financing of dwellings based on race, color, religion, national origin, disability or familial status. Information on Fair Housing will be provided to individuals applying for housing programs funded through the Department of Housing and Urban Development (HUD). Individuals who have experienced housing discrimination may file a fair housing complaint with HUD or the Texas Commission of Human Rights, Fair Housing Unit.

II. ELIGIBLE RECIPIENTS

Eligible recipients of Program assistance must be first-time home buyers, qualify as low income households (annual household income less than 80 percent of the City's median family income, adjusted for family size) and be qualified for a home mortgage from a financial institution, but for the funds necessary to meet the down payment requirements of the financial institution and/or pay closing costs.

Recipients of assistance must be legal U.S. Residents, or an alien granted the status of an alien lawfully admitted for permanent residence pursuant to Section 249 of the Immigration and Nationality Act.

The term "first-time home buyer" means an individual and/or his or her spouse who have not owned a home during the three-year period prior to the purchase of a home with assistance from this program, except that:

- a) an individual who is a displaced homemaker or single parent may not be excluded from consideration as a first-time homebuyer on the basis that the individual, while married, owned a home with his or her spouse or resided in a home owned by the spouse; and
- b) an individual shall not be excluded from consideration as a first-time home buyer on the basis that the individual owns or owned, as a principal residence during such three-year period, a dwelling unit whose structure is:
 - i) not permanently affixed to a permanent foundation in accordance with local regulations, or
 - ii) not in compliance with local or other applicable codes, and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure.

Households receiving Program assistance must have an annual family income equal to or less than the income limits (adjusted for family size) set by HUD annually. Family income includes income for all persons over 18. The latest income limits made available to the City are as follows:

2011 City of Victoria	
<u>MEDIAN FAMILY INCOME LIMITS*</u>	
<u>Number of Persons</u>	<u>Annual Household</u>
<u>in Family</u>	<u>Income</u>
1	\$31,300
2	\$35,800
3	\$40,250
4	\$44,700
5	\$48,300
6	\$51,900
7	\$55,450
8 or more	\$59,050

*Figures are subject to change on an annual basis

For qualifying purposes, the applicant's household income must be calculated using HUD's Part 5 Annual Income Calculation. See Attachment C for inclusions and exclusions of determining annual income.

Monthly mortgage payments for households receiving Program assistance shall not exceed thirty-three (33%) percent of the household's monthly gross income, **or** forty-three (43%) of the household's total debt to gross income. The debt to income ratio will be calculated using the applicants total monthly debt obligation and gross monthly income. Mortgage payments include principal, interest, taxes, mortgage insurance and homeowner's insurance (PITI).

III. ELIGIBILITY CRITERIA

Assistance Provided

Recipients are eligible to receive grants from the City of up to \$2,500 to be used for activities outlined below. The grant does not need to be repaid to the City.

Applicants must demonstrate that they qualify for a home mortgage from a financial institution located within Victoria County on a house to be used as their primary residence. A financial institution, as defined by HUD in 24 CFR 573.2, is a lender, which may be a bank, trust company, savings and loan association, credit union, mortgage company, or other issuer regulated by the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the Credit Union Administration, or the U.S. Comptroller of the Currency. The applicant must demonstrate that they are **unable to close** without the amount of funds requested. Assistance will only be granted for the purchase of an existing residence, which is located within the City of Victoria. Assistance will not be provided for the purchase or placement of a manufactured/mobile home as that term is defined in 24 CFR 201.2 by HUD.

Eligible Use of Funds

Program assistance may be used for the following costs related to securing a home mortgage:

- **down payment** - up to 50% of any down payment required by the financial institution from which a mortgage is sought; and/or
- **financing costs** - such as origination fees, credit reports, title reports, recording fees, loan processing fees, legal fees, appraisals, and other customary closing costs associated with securing a home mortgage from a financial institution.

In the event that all closing costs are paid by the seller and no down payment is needed due to the type of financing, the grant funds shall be returned to the City. Also, any overages that were not needed after payment of eligible activities must be returned in the form of a check to the City of Victoria.

Property Standards

The appraisal must indicate whether or not the property adheres to HUD property standards. If the property does not adhere to HUD property standards, the appraiser shall provide the applicant a list of conditions not in compliance. For any home built prior to 1978, the property appraisal must include HUD Form 92564-VC, Comprehensive Valuation Package, to check for evidence of a lead based paint hazard. Any home built prior to 1978 that is found to have defective paint surfaces, including: peeling, scaling or chipping paint, is not eligible for program assistance.

The appraisal must indicate whether or not the property is located within the 100-year floodplain. Any property located in the 100-year floodplain is eligible for program assistance but must provide proof of flood insurance to qualify. If the property has been renter-occupied within the last 90 days, then the property is ineligible for program assistance. However, if the applicant purchasing the home is the current renter this provision does not apply.

IV. RECIPIENT SELECTION CRITERIA

Assistance will be provided on a "first come, first serve" basis to applicants that meet the eligibility requirements, and have property selected which has been inspected by a qualified appraiser.

Applications and required documents will include, but not be limited to, the following information:

1. Head of Household and family size.
2. Annual household income.
3. Race/Ethnicity (HUD statistical purposes only).
4. Address of present residence.
5. Tenure status at present residence (rent or own).
6. Address of residence to be purchased.
7. Certification that the purchased home will be the primary residence of the applicant.
8. Purchase price of the property.
9. Mortgage amount.
10. Estimated monthly payments of:
 - a. Principal component of first payment,
 - b. Interest component of first payment,
 - c. Taxes (ad valorem),
 - d. Insurance (homeowners), and
 - e. Utilities.
11. Estimated cost to rehabilitate residence to meet City building code and Section 8 housing quality standards, if necessary.
12. Source of funds to make improvements, if necessary.
13. Copy of the loan application with completed Details of Transaction section with amount of financial contributions from sources other than the applicant.
14. Income Verification and Proof of Income *for all household members 18 or older* anticipated to be received in a 12 month period (2 months bank statements of all accounts, 3 months pay check stubs from all sources of income, employment verification form or letter, and list of assets).
15. Signature on application including the understanding and penalties sections.
16. Copy of Appraisal. If the home was built prior to 1978, the report should include HUD Form 92564-VC. *The appraiser's certificate of completion for the HUD Lead Hazard Controls Visual Assessment Course must be included (if not already on file at the City). The certification website is located at: www.hud.gov/offices/lead/training/visualassessment.*

Each applicant must present the completed application (Attachment A) and supporting documentation along with a letter from the financial institution (Attachment B) which states the following: (1) the applicant has been APPROVED for a mortgage, BUT IS WITHOUT the amount of funds requested, up to \$2,500, and (2) the financial institution will accept as an eligible source of owner equity a contribution of up to \$2,500 from the City's Mortgage Assistance Program.

In the event there is such demand that the Program simultaneously receives completed applications from eligible recipients in excess of Program funds, a lottery will be conducted to choose award recipients.

V. APPLICATION PROCESS

When funds are available to the Program, the Program Director will advertise the availability of assistance and provide Program Guidelines to those who make a request. The Program Director will also provide Program Guidelines to local financial institutions and realtors.

1. Potential applicants receive Program Guidelines.
2. Potential applicants apply for a mortgage from a financial institution within Victoria County.
3. Upon qualification for a mortgage, applicants submit an application, including a letter from the financial institution to the Program Director.
4. The letter from the financial institution must include the following: a complete application, income verification, a copy of the loan application with completed Details of Transaction section and a copy of the appraiser's report. The aforementioned items will be recorded with time and date of receipt. Applications received through the mail will be recorded with the same time and date of receipt.
5. Applications are reviewed by Program staff for completeness and deficiencies noted. An incomplete application does not guarantee or reserve funding.
6. Applicants are notified of the status of their application and provided 5 working days to correct deficiencies, after which the application will be denied.
7. Program staff identifies eligible applicants, awards Program funds and informs all applicants of status.
8. If a lottery is necessary to award funds, Program staff will establish its guidelines.
9. Recipients of Program awards will arrange a closing with their financial institution and arrangements will be made to provide the Program funds at the closing. The check will be made payable to the Financial Institution or the Title Company, whichever is specified in the request letter.
10. Financial institutions may not hold checks issued from the Mortgage Assistance Program after the closing is cancelled to be used for another applicant. All checks issued are to be used by the original applicant or returned **within 10 working days** after the cancellation of a closing as program funds are available on a first come, first serve basis only.
11. Within 10 working days after closing, the financial institution will provide the Program Director with a copy of the Final Settlement Statement signed by all parties. The Settlement Statement is necessary to close the file.

Note: FINANCIAL INSTITUTIONS ARE REQUIRED TO HAVE FILES AND DOCUMENTATION ACCESSIBLE FOR REVIEW BY PROGRAM STAFF AND HUD IN THE EVENT OF A PROGRAM AUDIT.

Application Checklist

This section is an Application Checklist for your convenience. It is the full responsibility of the applicant and lender to verify all information prior to submitting an application and ensure the application packet is complete. Submission of a complete packet is not a guarantee of funding.

Application Checklist:

- 1. Original signed, dated, and COMPLETED Application
- 2. Copy of three (3) Months Pay Check stubs with Year to Date information
- 3. Copy of two (2) Months bank statements
- 4. Employment Verification letter/ form
- 5. Copy of Loan Application completely filled out with Details of Transaction & Assets sections
- 6. Copy of Appraisal (with Lead Based Paint HUD form #92564-VC included if the home was built prior to 1978)
- 7. Letter from the financial institution from which the loan will originate
- 8. Copy of Deposit Receipt for Flood Insurance, if applicable
- 9. Renter-Occupied properties only – city utility service record for last 90 days

APPLICATION
Mortgage Assistance Program

Applicant Information

Name: _____ Age: _____ Sex: _____ Telephone: _____

Current Address: _____ City: _____ Zip: _____

Race/Ethnicity: Asian/Pacific Black Hispanic Native American White Other _____

List all of the Household members (with the exception of the applicant):

Name	Relationship	Age	Sex
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Are you a citizen or permanent resident of the United States? Yes No
 Have you ever owned a home? Yes No If yes, how long ago? _____
 Do you rent or own your current residence? (3 yr history reqd) Rent Own How Long _____yrs _____mo
 Previous Residence _____ Rent Own How Long _____yrs _____mo
 Previous Residence _____ Rent Own How Long _____yrs _____mo
 Previous Residence _____ Rent Own How Long _____yrs _____mo
 Is the rent subsidized by federal or any government assistance? Yes No If so, how much? _____

Financial Information

List the employment for each household member over 18yrs. and all other sources of household income.

<u>Name of Household Member</u>	<u>Name of Employer/ Source of Income</u>	<u>Annual Income</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

Other Sources of Household Income and/or Benefits:

Child Support	\$ _____	Military Allotments	\$ _____
Rental Income	\$ _____	Retirement Benefits	\$ _____
Social Security	\$ _____	SSI	\$ _____
Unemployment	\$ _____	Veterans Assistance	\$ _____
Workman's Comp.	\$ _____	Other (specify)	\$ _____

ASSETS (Two Months of Statements Required):

	<u>Cash Value</u>	<u>Annual Income</u>
Checking Accounts	\$ _____	_____
Savings/ Money Market Accounts	\$ _____	_____
Certificates of Deposit	\$ _____	_____
401(k), IRAs, Other	\$ _____	_____
TOTAL	\$ _____	_____

If total value of Cash Assets is over \$5,000, multiply by 2% = \$ _____ and add to annual Household Income.

Please check this box if the applicant does not have any assets.

TOTAL ANNUAL HOUSEHOLD INCOME FROM ALL SOURCES (BEFORE TAXES): \$ _____

For qualifying purposes, the applicant's household income must be calculated using HUD's Part 5 Annual Income Calculation. See Attachment C for inclusions and exclusions of determining annual

APPLICATION
Mortgage Assistance Program

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Adult Member of Household – Signature

Printed Name

Date

Revised 7/10

Date

CDBG Program Director
City of Victoria Development Services
P.O. Box 1758
Victoria, TX 77902

SUBJECT: Mortgage Assistance Program
(Name of Applicant)
(Address of Purchase)

Dear Program Director:

(Name of Applicant) has applied for a mortgage loan from (Name of Financial Institution). (Name of Financial Institution) has completed its review of the loan application and credit history of (Name of Applicant). It has been determined that (Name of Applicant) qualifies for a mortgage loan, except for the equity required to satisfy down payment and closing cost requirements.

With (Amount of request) assistance from the City of Victoria Mortgage Assistance Program, (Name of Applicant) will qualify for a mortgage loan to purchase a home at (Address) to be used as their primary residence. Please make the check payable to (Name of Financial Institution or the Title Company) and the homebuyer. The closing date for (Applicant's Name) is _____.

If you have any questions or need further information, please feel free to call me at (Telephone Number).

Sincerely,

(Mortgage Officer)

Attachments: Application
Income Verification
Loan Application
Complete Appraisal

Attachment C

Annual Income Inclusions

Definition of Annual Income

General Category	Statement from 24 CFR 5.609 paragraph (b) (April 1, 2004)
1. Income from wages, salaries, tips, etc.	The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.
2. Business Income	The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight-line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.
3. Interest & Dividend Income	Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in number 2 (above). Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD.
4. Retirement & Insurance Income	The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount (except as provided in number 14 of Income Exclusions).
5. Unemployment & Disability Income	Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay (except as provided in number 3 of Income Exclusions).
6. Welfare Assistance	<p>Welfare Assistance. Welfare assistance payments made under the Temporary Assistance for Needy Families (TANF) program are included in annual income:</p> <ul style="list-style-type: none"> ▶ Qualify as assistance under the TANF program definition at 45 CFR 260.31; and ▶ Are otherwise excluded from the calculation of annual income per 24 CFR 5.609(c). <p>If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:</p> <ul style="list-style-type: none"> ▶ the amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus ▶ the maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is reduced from the standard of need by applying a percentage, the amount calculated under 24 CFR 5.609 shall be the amount resulting from one application of the percentage.
7. Alimony, Child Support, & Gift Income	Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling.
8. Armed Forces Income	All regular pay, special day and allowances of a member of the Armed Forces (except as provided in number 7 of Income Exclusions).

Attachment C

Annual Income Exclusions

Definition of Annual Income

General Category	Statement from 24 CFR 5.609 paragraph (c) (April 1, 2004)
1. Income of Children	Income from employment of children (including foster children) under the age of 18 years.
2. Foster Care Payments	Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone).
3. Inheritance and Insurance Income	Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses (except as provided in number 5 of Income Inclusions).
4. Medical Expense Reimbursements	Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member.
5. Income of Live-in Aides	Income of a live-in aide (as defined in 24 CFR 5.403).
6. Disabled Persons	Certain increases in income of a disabled member of qualified families residing in HOME-assisted housing or receiving HOME tenant-based rental assistance (24 CFR 5.671(a)).
7. Student Financial Aid	The full amount of student financial assistance paid directly to the student or to the educational institution.
8. Armed Forces Hostile Fire Pay	The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
9. Self-Sufficiency Program Income	<ul style="list-style-type: none"> a. Amounts received under training programs funded by HUD. b. Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS). c. Amounts received by a participant in other publicly assisted programs that are specifically for, or in reimbursement of, out-of-pocket expenses incurred (special equipment, clothing, transportation, childcare, etc.) and which are made solely to allow participation in a specific program. d. Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, resident initiatives coordination, and serving as a member of the PHA's governing board. No resident may receive more than one such stipend during the same period of time. e. Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment training program.
10. Gifts	Temporary, nonrecurring, or sporadic income (including gifts).
11. Reparations	Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era.
12. Income from Full-time Students	Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household or spouse).
13. Adoption Assistance Payments	Adoption assistance payments in excess of \$480 per adopted child.
14. Social Security & SSI Income	Deferred periodic amounts from SSI and Social Security benefits that are received in a lump sum amount or in prospective monthly amounts.
15. Property Tax Refunds	Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit.
16. Home Care Assistance	Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep this developmentally disabled family member at home.
17. Other Federal Exclusions	Amounts specifically excluded by any other federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that

includes assistance under any program to which the exclusions of 24 CFR 5.609(c) apply, including:

- ▶ The value of the allotment made under the Food Stamp Act of 1977;
- ▶ Payments received under the Domestic Volunteer Service Act of 1973 (employment through VISTA, Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions);
- ▶ Payments received under the Alaskan Native Claims Settlement Act;
- ▶ Income derived from the disposition of funds to the Grand River Band of Ottawa Indians;
- ▶ Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes;
- ▶ Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program;
- ▶ Payments received under the Maine Indian Claims Settlement Act of 1980 (25 U.S.C. 1721);
- ▶ The first \$2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the U.S. Claims Court and the interests of individual Indians in trust or restricted lands, including the first \$2,000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands;
- ▶ Amounts of scholarships funded under Title IV of the Higher Education Act of 1965, including awards under the Federal workstudy program or under the Bureau of Indian Affairs student assistance programs;
- ▶ Payments received from programs funded under Title V of the Older Americans Act of 1985 (Green Thumb, Senior Aides, OlderAmerican Community Service Employment Program);
- ▶ Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in the In Re Agent Orange product liability litigation, M.D.L. No. 381 (E.D.N.Y.);
- ▶ Earned income tax credit refund payments received on or after January 1, 1991, including advanced earned income credit payments;
- ▶ The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990;
- ▶ Payments received under programs funded in whole or in part under the Job Training Partnership Act (employment and training programs for Native Americans and migrant and seasonal farm workers, Job Corps, state job training programs and career intern programs, AmeriCorps);
- ▶ Payments by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation;
- ▶ Allowances, earnings, and payments to AmeriCorps participants under the National and Community Service Act of 1990;
- ▶ Any allowance paid under the provisions of 38 U.S.C. 1805 to a child suffering from spina bifida who is the child of a Vietnam veteran;
- ▶ Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victims of Crime Act because of the commission of a crime against the applicant under the Victims of Crime Act; and
- ▶ Allowances, earnings, and payments to individuals participating in programs under the Workforce Investment Act of 1998.