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Affordable Housing Program
Homebuyer's Assistance Program
EIN#56600027
HUD Counseling ID#90510

The program's objective is to provide funds for modest income families for down payment and closing cost to purchase a home by working with local lenders with CRA, FHA, and USDA loan products. The City of Gastonia is a HUD Approved Counseling Agency, equipped to handle clients' needs throughout the homebuying process.

ELIGIBILITY:

Applicant must be a resident of Gaston County but not within the city limits of High Shoals or Spencer Mountain or be a resident of the city limits of Kings Mountain, Cleveland County. If the client is currently a resident within the city limits of Kings Mountain, Cleveland County but is moving to Gaston County, income will be based on the county where they currently reside.

Must be a first-time homebuyer, displaced homebuyer or not have owned a home within the last three years.

Applicant's income cannot exceed 80% of the area's median income per family size. The income guidelines are subject to change annually: **(effective June 1, 2021)**

	<u>GASTON COUNTY</u>	<u>CLEVELAND COUNTY</u>
1 Person	47,150	32,800
2 Person	53,900	37,450
3 Person	60,650	42,150
4 Person	67,350	46,800
5 Person	72,750	50,550
6 Person	78,150	54,300
7 Person	83,550	58,050
8 Person	88,950	61,800

How we determine income: Base/regular income along with child support, bonus, overtime and/or commission income will be used to determine qualifying income. Whatever the client is currently making we will assume that will continue for the next 12 months unless we have written notice stating otherwise. Written verification of all household members over the age of 18 will be used to determine total family income. Income determinations will be made no more than 6 months before HOME funds are committed. Best practices, collect updated income and bank information that is valid for 90 days prior to closing.

Applicant's liquid assets cannot exceed \$20,000. Liquid assets include cash and any asset that can be converted into cash within 30 days. This does not include long term retirement savings such as 401K and IRA accounts.

Please note, effective immediately, HUD has placed a maximum purchase price for units using this program.

Effective April 1, 2020

Existing Home Purchase Price Limit: \$227,000

New Home Purchase Price Limit: \$243,000

UNDERWRITING GUIDELINES:

First Mortgage Loan Conditions:

- Fixed rate mortgages, no adjustable rates allowed
- Thirty-year term
- Conventional, USDA, FHA, VA
- No buy downs allowed
- 1% loan origination fee or lower. Anything higher will be at the expense of the client or the lender.
- Cannot use non-occupying co-borrowers with this loan.

Minimum loan amount: \$1,000.00

DTI Ratios: 30/41

Ratios will be based on household income. Compensating factors can be used to increase DTI ratios, every file is reviewed and determinations are made based on the client's current situation.

If clients do not have a back end ratio the maximum ratio that will be allowed is **36%**.

Minimum of Borrowers own funds: \$750.00

Clients cannot get funds back at closing; they must zero out or may have to bring money to closing.

The program can be used with FHA, USDA and some conventional products. For FHA loans, the program will allow for 3.5% down payment assistance, with the rest of the funds going towards closing costs (minus pre-paid items). If more than 3.5% down payment is needed, the lender will need to contact the Case Management Specialist for approval. For USDA Loans, funding would go towards closing costs only. The USDA Guarantee **could** be an eligible cost but will be on a case by case basis and will need prior approval from the Case Management Specialist. Conventional loans will be on a case by case basis depending on the required down payment from the lender and the client's current situation. The program can be used in conjunction with other programs, such as North Carolina Housing Finance Agency's down payment program, in that case, if the client is receiving down payment from another funding source the City of Gastonia's money could be used towards closing costs.

This program cannot pay for escrow and pre-paid items. Applicant funds that they put into the transaction will be applied to "prepaid items" in connection with the transaction. The seller can pay the amount exceeding \$750.00, with maximum seller contribution of 6%. When the seller is providing closing funds, that money will first be directed towards any "prepaid items."

Income calculation: Base/regular income along with child support, bonus, overtime, and commission income will be used to determine qualifying income, even if not on the job for 2 years those incomes will be counted. Neither child support nor Social Security benefits are grossed up. Current income will be projected for 12 months. Two months of pay stubs are required to verify income for everyone in the household.

Budget: Clients will be required to complete 3 months of budget and submit to our office before they are able to close. Budget will be provide the budget sheet.

Savings:

- Must have two consecutive months' proof of at least \$1,000 in their bank account. This can be a \$1,000 in multiple bank accounts or in just one. This cannot include gift funds.

Credit: Applicant must be a reasonable credit risk

- Follow the same guidelines as lenders for credit scores.
- Medical collections and all other collections are only required to be paid off if the lender requires so.

Bankruptcy:

- Chapter 7 – must be discharged for 2 years with re-established credit.
- Chapter 13 – can be within the repayment time with no missed payments and approval from the bankruptcy court.

Foreclosures:

- Three years after foreclosure with no deficiency balance with a written explanation and re-established credit

Repossessions:

- At least 12 months old with no deficiency balance

ASSISTANCE AMOUNT: UP TO \$5,000

For extreme circumstances we could offer more assistance based on clients need and income, these are extremely rare occurrences:

- <30% of AMI - UP TO \$10,000
- 31 to 50% - UP TO \$7,500
- 51 to 80% - UP TO \$5,000

The Case Management Specialist will determine the amount of assistance to maintain the affordability of the housing expense (25 to 30%) to the applicant's income so as not to overcompensate. If lenders wish to use more than 3.5% for down payment you will need approval from the Case Management Specialist first.

Gift funds from immediate family members cannot exceed \$5,000.00.

Funds are to be used for down payment and closing cost expenses, which are secured by a second mortgage. Closing costs are for **customary and reasonable expenses**. **Funds cannot be used for payment of pre-pays, debts, collections, judgments, or towards repairs to the property.**

Recapture of Loan: There is no interest on the second mortgage and the term is 5 years.

The second mortgage becomes due and payable at the occurrence of a trigger event during the five-year term, but the funds are pro-rated:

- Sale or transfer of the property,
- Change in owner-occupancy status,
- The default of the first mortgage.
- Refinance

The down payment and closing costs assistance must be recaptured on a pro-rata basis, 20% is forgiven each year, for the time the homeowner has owned and occupied the housing measured against the required affordability period. When the recapture requirement is triggered by foreclosure of the housing unit, and there are no net proceeds or the net proceeds are insufficient to repay the HOME Investment due, the City of Gastonia can only recapture the net proceeds.

For those clients facing foreclosure, but are actively working with a lender to restructure or refinance loan in order to remain in the home, we may be able to subordinate the City's second mortgage. Please contact our office to see if your client qualifies.

ELIGIBLE PROPERTIES:

The property must be used as a primary residence during the affordability period.

Properties in Gaston County or city limits of Kings Mountain, Cleveland County that are:

- Single family
- Condominium/Townhomes
- Manufactured home that is connected to permanent utility hookups

City staff inspects each property for compliance with the City of Gastonia's Minimum Housing Code Inspection. Prior to closing, the property must comply with Minimum Housing Code Standards. Pre-1978 housing must not have chipping, cracking, or scaling paint. If lead paint is visible at the time of inspection, the house must use safe practices to clean up lead issue and the house must pass a Lead Paint Clearance test prior to closing. The first test will be provided by the City any subsequent tests will be the responsibility of the buyer.

GENERAL REQUIREMENTS:

Homeownership education class required for anyone listed on the Deed of Trust. If the client has already completed the Homebuyer's Education class, certificates are only good for 2 years and they still must have the certificate as proof.

Closings must be conducted by an approved attorney. If it is required by the bank or owner to close with a lawyer other than those used locally you will need special permission first.

Private Home Inspection, pest inspection, and septic inspections are eligible expenses. Home Warranty and property surveys are on a case by case basis, as they are not necessary to close on a property. If you would like to include a home warranty or a survey, please contact our office prior to closing to discuss this.

Homes constructed prior to 1978 may have lead-based paint. If any chipping or peeling paint is observed, inside or outside the house, the house will need to be tested for lead paint after all work is complete. Any work done in the house that disturbs any surface that may contain lead-based paint will need to be treated with HUD lead-based paint safe work practices as per the "***Protect Your Family From Lead in Your Home***" brochure. The city will pay for the first test, if the test comes back positive then it will be the responsibility of the client to make the necessary corrections and pay for the second test. Lead-Based Paint Clearance Test cost approximately \$200.

Contract Contingencies:

- (1) Applicant's approval for assistance through the City of Gastonia's Homebuyer's Assistance Program.
- (2) House must pass Minimum Housing Code Standards Inspection
- (3) Federal Funds Addendum must be completed by both the seller and the buyer

Documents required for approval:**Client Documents:**

- Sales Contract – fully executed (if available)
 - Include copy of Earnest Money Deposit and Due Diligence Fee
- ID – Visible, unexpired copy of driver's license or state ID
- Social Security Card
- Income
 - Salaried or hourly employee
 - 2 months' pay stubs (for everyone in the household working)
 - Last 2 years of W-2's and tax returns
 - Self-Employed or 1099 employee – 2 years' tax returns to include all schedules
 - Social Security, Disability, and other non-wage earner income, etc.
 - Award Letter and 3 months' proof of receipt (bank statements)
 - Child Support Award letter with 12 months of payment history
 - If no source of income, those 18 years or older must provide the signed Certification of Zero Income (form provided by City of Gastonia's office)
- Assets
 - 2 months of bank statements, must include all pages
 - **Must have 2 months' proof of \$1,000 in account to qualify for down payment assistance
- Other
 - If applicable, a copy of the recorded separation agreement, free-trader agreement or divorce decree
 - If 18 or over and a student, please provide a copy of their school transcript

Lender Documents

- Loan Application – signed by the borrower(s)
- Loan Estimate
- Appraisal
- Credit Report