

# Homebuyer Down Payment Assistance Program

## Program Overview

The City of La Crosse's Homebuyer Down Payment Assistance Program, funded with American Rescue Plan Act Funds (ARPA), is available to help first time homebuyers achieve an affordable mortgage payment. To participate in the program, you must purchase a home in the City of La Crosse, qualify for a 30-year fixed mortgage and meet the eligibility requirements below.

## Eligibility Requirements

- Must be a first-time homebuyer as defined by HUD.
- Have an income of 120% CMI or below<sup>1</sup>.
- Maximum total cash asset of \$25,000
- Applicant must be able to obtain 30-year fixed rate mortgage financing.
- Mortgage interest rate may not be greater than 2% of the national mortgage rate average.
- Applicant required to provide a cash contribution of \$1,000 or 1% of the purchase price; whichever is greater.
- Purchase price may not exceed HUD's area median purchase price<sup>2</sup>
- Homebuyers must participate in a HUD approved First-time Homebuyer Education Class.<sup>3</sup>
- May not be paired with other Down Payment Assistance (DPA) grant or forgivable loan programs.
- Ineligible properties include those conveyed with a land contract, rent or lease to own properties, mobile homes, homes that are not located in the City of La Crosse.
- Homes must meet the minimum housing quality standards defined by the US Department of Housing and Urban Development

## Terms

- Sign a 5-year owner occupied deed restriction if the grant amount is between \$1-\$15,000 and a 10-year owner occupied deed restriction if the grant amount is between \$15,001-\$25,000.
- Grant amounts are based on the applicant's household income.
  - Applicants that earn:
    - 80% CMI or less may be eligible to receive a grant up to 20% of the purchase price;
    - 81-100% CMI may be eligible to receive a grant up to 15% of the purchase price
    - 101-120% CMI may be eligible to receive a grant up to 10% of the purchase price;
  - Maximum DPA grant is \$25,000.
- Applicant has 90 days from grant award date to provide the City of La Crosse Community Development office with a signed offer to purchase.
- Mortgage payments must be affordable to the Buyer. Monthly payments cannot exceed 30% of the applicant's income. Maximum overall debt to income ratio cannot exceed 43%.
- A home inspection must be performed on the property and submitted to the City Community Development Office, to ensure the property is safe and sanitary.
- Applicant may not receive cash back on the purchase.

<sup>1</sup> Actual income from assets will be counted towards the household's income.

<sup>2</sup> Current 2022 limits are \$214,000 for existing housing and \$267,000 for newly constructed housing  
<https://www.hudexchange.info/resource/2312/home-maximum-purchase-price-after-rehab-value/>

<sup>3</sup> <https://hudgov-answers.force.com/housingcounseling/s/>

## Program Process

- 1) Staff will work with Applicants to determine their eligibility for the DPA Program.
  - a. Applicants must apply through the City's Neighborly software program and provide current source documents (income statements, bank pre-approval letter, bank and investment statements etc.)
  - b. Staff will send eligible applicants a conditional approval letter, contingent upon meeting the rest of the program eligibility requirements. The letter will expire 90 days from the date of issuance. The letter will also advise the applicant of the maximum allowed purchase price and mortgage payment for program eligibility.
    - i. Staff will assume the applicant is eligible for the maximum grant amount. This amount will be reserved for a period of 90 days. 90 days after the date on the letter, any unclaimed funds will return to the program.
    - ii. In the event the applications received exceed the amount available, Staff may prioritize applicants using the following criteria:
      1. Application completed in entirety
      2. Date the completed application was received
      3. Attended a Homebuyer Education Course
      4. Have identified a home and have a signed offer to purchase
      5. Have not previously applied for the First-time Homebuyer Program
- 2) Eligible applicants will be instructed to complete a HUD certified First-time Homebuyer Education Class.
- 3) Applicants will start their home search. When a home is identified, the applicant will enter into a binding purchase agreement.
  - a. The purchase agreement should be contingent upon receiving a DPA grant, unless prepared to move forward with the purchase of the property without the grant.
- 4) Applicant will provide Staff with an accepted offer to purchase and completion certificate from their Homebuyer Education Class. Upon receipt Staff will determine the final award amount and issue an official acceptance letter specific to the property which also describes the award amount and any other contingencies (homebuyer education certificate, Home Inspection or HQS Inspection, etc.).
- 5) Applicant must have a Home Inspection or HQS Inspection conducted to ensure that the home is decent, safe and sanitary. If the Home Inspection or HQS inspection identifies deficiencies;
  - a. The Applicant may ask the Seller to cure the deficiencies OR
  - b. If the home is habitable AND the applicant is eligible for a City repair program<sup>4</sup>; the Applicant may start the repair program application process but wait to execute the deferred loan repayment agreement until closing and have the repairs performed after they purchase their home.
    - i. The terms of the DPA grant would change to a forgivable loan; which would be forgiven after completion of the repairs.
  - c. If the home is habitable and the Applicant is NOT eligible for a City repair program, but have the funds necessary to make the repairs or are eligible for bank financing, the DPA would be in the form of a forgivable loan. The loan would not be forgiven until completion of the necessary repairs.
- 6) Applicant and/or their Lender shall provide a Loan Estimate, prior to closing, to ensure that the Applicant's Mortgage Payments do not exceed 30% of their income.
- 7) Grant Agreement will be finalized and executed by the Applicant.

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<sup>4</sup> City Repair Programs include Housing Rehabilitation, Housing Renovation, Lead Safe Homes Program

- 8) Applicant will be required to sign an owner-occupied deed restriction that will be recorded after the Warranty Deed, against the property.
- 9) The check will be issued directly to the title company. The title company will provide the City with copies of the closing documents.
- 10) Applicant will move into home and any necessary renovations will commence.

### Application Procedures

- Application will include: Conflict of Interest Page, General Release, hold harmless agreement, media release and the counseling agreement.
- Applicants will be asked to provide the documents below for all household members 18 years of age and older:
  - A copy of their most recent W-2's and tax returns,
  - Three months of paystubs/earning statements (including child support, alimony),
  - Three months of bank statements and other investment statements,
  - Pre-approval letter from their lender indicating the maximum loan amount they are approved for. This does not have to be property specific.
- Upon receipt of a completed application, Staff will:
  - Use the City's Underwriting Worksheet to determine the Applicant's eligibility for the City's DPA Program.
    - Income will be determined by using the last 3 months of income statements to project forward their income for the next 12 months. For applicants who perform seasonal work and/or work overtime, it may be necessary to request more income statements.
    - Confirm the projected annual income with the Applicant's most recent W-2's and Federal Tax Returns
    - For applicants who have recently switched employers, a Fannie Mae Verification of Employment form should be completed.
- Eligible applicants will receive a conditionally approved award letter. The award letter will:
  - expire 90 days from issuance,
  - be contingent upon meeting the rest of the program eligibility guidelines,
  - contain instructions how to enroll in a HUD Certified Homebuyer Education Course,
  - include instruction to submit Homebuyer Education Certificate upon completion.
- Ineligible applicants will receive a denial letter that will contain the reason(s) for the denial
- Once the Applicant has identified a home, and provided Staff a copy of the accepted offer to purchase, they will be instructed to contact the City's Housing Specialist to perform an HQS Inspection. The Housing Specialist shall:
  - Complete the inspection within 10 days of the receipt of the offer to purchase,
    - Applicant may choose to be present during the inspection, it is not required.
  - Advise Staff and/or the Applicant of the necessary repairs to be performed,
  - Applicant may request Seller to perform repairs, or have funds to make the repairs after purchasing the property,
  - If the Applicant is unable to negotiate the repairs or does not have sufficient funds to make the repairs, the Housing Specialist should determine the Applicant's eligibility for City Repair Programs,
    - Advise the Applicant that it may be necessary to bid the repairs in order to determine the cost of the repairs and ultimately their eligibility for the program.
    - Communicate to the Applicant the length of time that this process can take.
  - Final determination is made on the property's eligibility for the program and reported to the Applicant.

- If the property is NOT eligible for the DPA Program, the Applicant may choose not to use the DPA Program or find another home.
- If the property is eligible for the program, the Applicant will be given an award letter that is specific to the home and their final award amount.
- Applicant would start the closing process with their Lender and/or Realtor. This will take about 30-60 days depending on how busy the real estate market is.
  - The Realtor will place an order for title work, coordinate fulfillment of any other inspections (pest inspection, radon inspection, etc.)
  - Lender will finalize the loan application, draft a Loan Estimate, order the appraisal, etc.
  - Applicant or their Lender should provide Staff with a copy of the Loan Estimate to ensure that the loan payments are affordable,
  - Upon completion of the title work, a copy should be sent to Staff to finalize the grant agreement, deed restriction, and if applicable the City's Repair Program Agreement.
  - Final closing date will be established,
  - Lender will finalize their loan documents,
- Prior to closing the title company shall provide Settlement Statement and Lender Closing Statement that:
  - List the City's down payment grant as ARPA Downpayment Assistance,
  - Identifies the Applicant/Buyer's down payment contribution,
  - Has the final first mortgage amount and terms,
  - This shall be provided to Staff 3-5 days in advance of closing to provide ample time to request the funds from Finance.
- On or before closing Staff will deliver, to the title company, the check, DPA Grant Agreement, Deed Restriction, the City's Repair Program Agreement (if applicable) and any other requested documents to be executed by the Applicant and recorded by the title company.
- After closing the title company shall provide the City with a copy of the executed Settlement Statement, the Lender or Loan Closing Statement (which will disclose the interest rate, loan and payment amount), the warranty deed, deed restriction, the 1<sup>st</sup> mortgage document and City Repair Program Agreement (if applicable).
- Staff will retain the above documents along with the Application, Applicant's source documents, Home Buyer Education Certificate, Home Inspection or HQS Report for 7 years.
- The Applicant will move into their home. If necessary, the repairs will commence.