City of Owensboro
Down Payment Assistance Program
Down Payment and Closing Cost Assistance
Program Guidelines

Updated July 1, 2025

101 East 4th Street – P.O. Box 10003
Owensboro, Kentucky 42302-9003

Down Payment Assistance Program

Program Overview

The Owensboro Down Payment Assistance program (DPA) is a program of the City of Owensboro, to expand homeownership opportunities in the community of Owensboro. The program helps bridge the homeownership affordability gap for local residents by providing down payment assistance. The program provides up to 10% of the sales price of the home in financial assistance to qualified low- and moderate-income Owensboro residents to assist in the opportunity to purchase a home in Owensboro. The assistance is in the form of a deferred loan agreement, which is forgiven after the appropriate affordability period. Funds can be used for closing and/or down payment costs for households that earn up to 80% of the Area Median Income (AMI), adjusted for household size. The loans have no current interest or principal payments. The program removes financial barriers for the dream of homeownership by lowering home acquisition and carrying costs. The program enables qualified families to purchase a home that provides a stable residence, which strengthens the family, the neighborhood and thecommunity.

Homebuyer Eligibility Requirements

Homebuyers seeking assistance must meet the following minimum criteria:

- Applicants must be a first-time homebuyer and not have owned a principal residence within three (3) years from the date of program application, and may not own other residential property.
- Applicants must be at or below 80% Area Median Income and have the household income certified by the City of Owensboro.
- The homebuyer must occupy the home as the primary residence for the duration of the loan.
- The home size must be sufficient for the household to avoid overcrowding.
- Applicants must attend and complete a Homebuyer Education Training course.
- Applicants must secure pre-approval of a 30-year fixed rate first mortgage loan from a participating lender, have satisfactory credit and job/income stability.

Home Eligibility Requirements

Homebuyers may apply for program funds to purchase market-rate homes located within the City of Owensboro that meet the criteria outlined below:

HOME VALUE LIMITS - FY 2024 DAVIESS COUNTY, OWENSBORO, KENTUCKY MSA HOME PURCHASE PRICE LIMIT				
EXISTING HOMES				
1-Unit	2-unit	3-unit	4-unit	Unadjusted Median Value
$209,000	$268,000	$324,000	$401,000	$220,000
NEW HOMES				
1-Unit	2-unit	3-unit	4-unit	Unadjusted Median Value
$273,000	$349,000	$423,000	$524,000	$287,100

Affordable below market-rate homes with resale restrictions or homes that require substantial rehabilitation are ineligible for the program.

The home must be located within the City of Owensboro corporate boundary.

Type of Home:

- Eligible: Detached or attached single-family homes; units in Planned Unit Developments; townhomes; condominiums and mobile homes that are on a permanent foundation and have an individual deed to the property.
- Ineligible: Vacation homes, investment properties, multi-family buildings, second units, duplexes, life care facilities and cooperatively owned or other forms of ownership where the Homebuyer does not have an individual deed to the property.

Homes must be completed and ready for occupancy.

Homes must meet building code standards, and health and safety code standards, including no deteriorating lead-based paint.
The city requires the Homebuyer purchase a professional home inspection report.

Condition of the Home

Homes must meet all applicable state and city zoning, building, housing and health and safety codes prior to closing of escrow in order to be eligible for program assistance. Older homes that are legal non-conforming must meet the zoning codes that were in effect at the time they were constructed, as well as current applicable building and health and safety codes. If any subsequent construction or remodeling was done to the home by the seller or a prior owner, it must be in compliance with the codes in effect at the time the work was done, must have passed city building inspection, and there may not be any current code violations that may present a health and safety hazard (i.e., construction without permits, including garage conversions, additions, encroachments, etc.). New homes are eligible for purchase once a Certificate of Occupancy has been issued. Resale homes require inspection by the Division and by a certified Home Inspector, as set forth below.

Resale Homes: Inspection and Determining Need for Repairs: Once the applicant has identified a potential home to purchase, and prior to a commitment of program funds, the following steps must be taken for the home to be eligible for purchase under the program:

- The prospective buyer must also hire a certified home inspector of their own choosing to inspect the home and provide a copy of the inspection report to the Division staff. The home buyer and their real estate broker or agent may negotiate with the seller regarding repair costs. Homes requiring repairs and corrections estimated to cost in excess of $10,000 will not be eligible for Program assistance, unless the required repairs have been completed by the seller and the work has passed final building inspection by the Division prior to Program grant approval. Smoke detectors must be installed by the seller if there are none in place and. smoke detector certifications from the Fire Department will be required prior to closing.

- Staff will inspect the home to identify any housing, building, and/or health and safety code deficiencies to be corrected in order for the home to be eligible for purchase. The inspection will provide a recommended list of work items, if any, needed for the home to pass inspection. If the home requires substantial rehabilitation (more than $10,000 of repair work) to meet codes, or if the home has health and safety and/or building code violations (such as un-permitted additions or garage conversions), the home will be considered substandard and determined not to be eligible for program assistance unless all of the violations are corrected by the seller and pass inspection prior to applicant's submittal of a purchase and sales agreement.

- If either inspection identifies evidence of pest issues, a current pest inspection must be performed by a licensed pest inspector of applicant's choosing, and any required treatments must be completed, and a clear inspection report provided to escrow.

- HUD regulations at 24 CFR 50.3(i) and 58.5(i)(2) require all property to be free of contamination where a hazard could affect the health and safety of occupants or conflict with the intended use of the property. Section 50.3(i) states that "It is HUD policy that all property proposed for use in HUD programs be free of hazardous materials, contamination, toxic chemicals and gasses, and radioactive substances, where a hazard could affect the health and safety of occupants or conflict with the intended utilization of the property" By far the most frequently occurring radioactive substance that threatens HUD-assisted development is radon gas.

- Upon completion of all repair work required, if any, a final inspection will be conducted by the city prior to the close of escrow. If the repair work is of a nature where a city building permit(s) is required, the seller or his/her contractor must obtain the permit(s) prior to starting repair work, and the work must pass city building inspection prior to release of contingencies in the purchase contract. Minor cosmetic repairs not requiring building permits, such as painting or carpet installation, may be inspected by the Rehabilitation Specialist. The Seller will certify, and the Division will verify, that all required construction work has been completed per code requirements and is in compliance with local codes at the time of sale and prior to occupancy.

- Lead-Based Paint Hazards: All homes built prior to 1978 must pass a visual lead-based paint hazard inspection in order to qualify for purchase with Program assistance. If the home was built prior to 1978, and does not pass the Division's visual assessment, it may require a certified lead-based paint inspector or risk assessor to test all painted, shellacked, or varnished surfaces to determine the presence or absence of lead. If the test results indicate that unstable lead is present and corrective work is needed, such as encapsulation with new paint, the work must be performed by contractors licensed to do lead-based paint hazard reduction and/or abatement, using work safe methods. If such work is performed, the testing firm will test again after the work is done and provide a clearance letter once the results indicate no hazards are present.

The following steps must be taken regarding potential lead hazards:

- Notification: Program application packages will include the most recent copy of the EPA pamphlet "Protect your family From Lead in Your Home" (See Appendix Protect your family from Lead in your home and confirmation of lead pamphlet). Applicants will be required to read the pamphlet and sign a certification that they have read it prior to receiving pre-approval for Program assistance.

- Disclosure: Sellers of homes built prior to 1978 must provide prospective buyers with the HUD notice entitled "Seller's Lead-based Paint Disclosure" prior to accepting a purchase offer from the prospective buyer. Buyers shall not submit a purchase offer until they have received this disclosure from the seller or seller's agent.

- Inspections: The Inspector shall conduct a surface by surface testing of all painted, shellacked, or varnished surfaces to determine the presence or absence of lead in the home in order to identify lead hazards. All lead hazards must be stabilized in accordance with CFR 35.1330 (a) and (b); and a clearance shall be made in accordance with CFR 35.1340.

- Mitigation: If stabilization is required, the city must approve the contractor selected to perform the work in order to assure that only those certified to stabilize lead paint are allowed to perform the mitigation.

- Confirmation of Property Eligibility: Once a pre-approved program applicant has provided all the required documentation of a home's eligibility and all required inspections have been completed, the Division will: 1) confirm that the home is within the city of Owensboro, 2) review each proposed home to ensure that it meets all eligibility criteria, and 3) place a Down Payment Assistance Checklist / File Review.

The program will currently assist approved buyers with lead paint hazard removal when the inspection identifies peeling paint. Assistance with the removal of other hazardous materials may be considered when they present a barrier to approval of the property.

Household Income Targeting

Applicants for the Down Payment Assistance program must have combined household incomes that do not exceed 80% of the Area Median Income, adjusted for household size.

Area Median Income is determined annually by the U.S. Department of Housing and Urban Development. Owensboro's current income limits as of 2025 are listed below:

Persons in Family							
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
$48,300	$55,200	$62,100	$68,950	$74,500	$80,000	$85,500	$91,050

To be eligible for the DPA program, the applicant's total household income must be classified as lower-income and cannot exceed 80% of the Area Median Income (AMI) for Owensboro, Kentucky households, adjusted for household size. The AMI is published annually by the U.S. Department of Housing and Urban Development.

The combined income of all household members age 18 years or older who will be living in the home must be included in calculating the Applicant's total household income. To be considered a member of the household, individuals must be either:

- On the title and loan of the home;
- Claimed as a dependent on the tax returns of the household member who will appear on the title and City of Owensboro loan (a spouse is not a dependent; he or she must be on the title and loan of the property); or
- Any other household member 18 years of age or older earning an income.

Borrowers applying for the Down Payment Assistance program must have their income certified by City of Owensboro to verify that they meet the eligibility requirement of an income qualified household. To verify household income, applicants will need to submit an Income Certification Application and receive an Income Certification and Affidavit Form completed by the City of Owensboro. Generally, the applicant must provide the following information with the application to an Approved First Mortgage Lender who will then forward it to the city:

- Within sixty (60) days of application submission - Federal Income Tax Returns (signed) with W2s from the last three (3) years, as well as the two (2) most recent paystubs for all household members over the age of 18.
- Supporting documentation for all other income received including disability, alimony, child support, unemployment, social security, interest and dividend income, etc.
- Within sixty (60) days of application submission - Written verification of employment for all household members earning an income.
- Self-employed applicants will need to provide income tax returns for the last three (3) years, both State and Federal, plus a profit and loss statement from an account for the last six (6) months.
- An applicant who is both self-employed and works for an employer must provide documentation for both sources of income.
- Two (2) most recent statements from all asset accounts, including checking and savings accounts, individual retirement accounts, investment and trust accounts, etc., for each household member who is at least 18 years old.

Down Payment Loans

Type of Loan

The down payment assistance offered under this program is subordinate financing, secured by a second position on the home. The loans are deferred "soft seconds," with no current interest or principal payments for an appropriate affordability period. A lien will be recorded with the Daviess County Clerk's office. After the affordability period has expired, the lien will be removed from the property if the applicant adheres to the program guidelines. The loan will become due if, prior to the expiration of the affordability period, the Borrower sells or transfers the property, ceases to maintain the residence as his/her primary residence, converts the home to a rental property or refinances the first mortgage. Loans do not generally become due in the case of death or divorce when the beneficiary or remaining spouse uses the home for his/her primary residence.

Maximum Loan Limits and Assistance Levels

The maximum down payment loan amount under this program is 10% of the sales price. The City of Owensboro may, from time to time, adjust the maximum loan amount, based on program experience.

Uses of the Loan

The primary purpose of the City of Owensboro secondary loan is to provide down payment assistance and/or closing costs in purchasing the home. However, the Homebuyer may also apply the loan proceeds to pay for nonrecurring closing costs, for an interest rate buy-down on the first mortgage loan and for certain other costs associated with acquisition of the home.

Homebuyer Financing Requirements

Borrower Match: Homebuyers must qualify for a fully amortized thirty **(30)-year fixed rate** first mortgage from a Down Payment Assistance program approved lender.

Homebuyer Education

Applicants seeking a Down Payment Assistance program loan must attend a Homebuyer Education Training course prior to applying for the City of Owensboro down payment loan or making an offer on a home. The Homebuyer Education Training provides applicants the opportunity to learn about the responsibilities of homeownership and to ensure that the Borrower understands the requirements of the down payment loan and implications of selling or refinancing their home. Loan applicants must submit proof (such as a certificate, letter or other documentation) with their loan application that verifies they have successfully completed the Homebuyer Education Training course.

Owner Occupancy

Homebuyers who receive a Down Payment Assistance program loan must occupy their home as their principal residence until the affordability period expires. The City of Owensboro may require the Borrower to provide an annual written certification, under penalty of perjury, that Borrower is occupying the home as his or her principal place of residence.

Loan Financing Terms

Loan Payments: The down payment loans will be deferred under the conditions of the recorded lien.

Term of the Loan: The term of the loan will be thirty (30) years. In special circumstances, longer terms can be considered if the first mortgage is provided through a government program.

Appraisal and Loan to Value Ratio: The down payment loan plus the first mortgage may not exceed 100% of the appraised value of the home. However, in certain cases (such as when the home may have other approved deferred subordinate debt), the combined loan-to-value ratio may exceed 100%, provided the City of Owensboro down payment loan and senior debt do not exceed 100% of the home's appraised value.

The city will rely on a full appraisal commissioned by the first mortgage lender and the appraisal must support the home purchase price. If the purchase price exceeds the appraised value, the city at its sole discretion, may approve exceptions up to 105% of the appraisal guideline, provided that the combined first mortgage and city loan do not exceed 100% of the appraised home value, the Homebuyer contributes the additional cash and the carrying costs of the home are affordable to the Homebuyer. The City of Owensboro reserves the right to approve or reject any proposed home financing where the combined homebuyer cash and loan to value ratio exceeds 100%.

Loan Fees and Closing Costs: Homebuyer will not be charged a loan origination fee for the amount of the down payment loan but will pay for the actual cost of any document preparation fees, title fees and other loan closing costs. The cost of such fees may be included in the down payment loan amount. The Homebuyer should expect to pay other fees and costs associated with the first mortgage loan at or before the close of escrow, such as loan origination or processing fees, appraisal, credit reports, prepaid hazard insurance and property taxes, title and escrow fees. The First Mortgage Lender will provide a Good Faith Estimate of the loan costs and the title company will provide a settlement statement of total transaction costs.

Repayment of the City Down Payment Assistance Program Loan

Down payment loans will be forgiven after the affordability period has expired. The loan will be repayable and immediately due upon:

- Sale, transfer, conveyance or alienation of the home;
- Failure to occupy the home as a principal residence;
- An Event of Default (either on the first mortgage or down payment loan); or
- Refinance of the first mortgage loan.

Regulatory Requirements

A goal of the City of Owensboro program funding is to help provide long-term affordable homeownership opportunities for local residents. This will be accomplished through recording a secondary lien on the home. Homebuyers receiving a down payment loan under this program must agree to meet the loan conditions and homeowner requirements outlined in the Deed of Trust that will be recorded against their title to ensure that the home remains owner-occupied.

First Mortgage Financing

Homebuyers must obtain a first mortgage loan only from a lender that has been specifically approved to participate in the City of Owensboro's Down Payment Assistance program. The first mortgage loan from an approved participating lender must meet the following standards:

- Term of at least 30 years;
- Fixed interest rate at market or below market rate (no subprime loans will be accepted);
- Fully amortized loan with monthly payments; no negative amortization or balloon payments;
- Establishment of an escrow account for property taxes and insurance; and
- No prepayment penalty.