



Parkersburg/Wood County HOME Consortium

DOWN PAYMENT ASSISTANCE PROGRAM GUIDELINES

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DOWN PAYMENT ASSISTANCE PROGRAM GUIDELINES PARKERSBURG/WOOD COUNTY HOME CONSORTIUM

INTRODUCTION

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The City of Parkersburg and the Parkersburg/Wood County HOME Consortium seeks to provide homeownership opportunities for low- and moderate-income person(s), families or households.

To address this need, the City of Parkersburg, through the use of HOME Investment Partnership funds (“HOME”), has established the Down Payment Assistance Program (DPAP). The DPAP’s purpose is to assist eligible families or households to become homeowners through down payment and closing cost assistance. To make home ownership an affordable reality, the City of Parkersburg has formed a working partnership among the local lending institutions and realtors.

It is not this Program’s intent for the City of Parkersburg to find eligible properties for potential program applicants. Instead, it is the applicant’s responsibility to find a single family residence. The dwelling unit must be located within Wood County.

I. ELIGIBILITY CRITERIA AND DEFINITIONS

A. Income

The funding source for the DPAP is the U.S. Department of Housing and Urban Development’s (HUD’s) HOME Program. The HOME Consortium is required to comply with certain federal regulatory requirements.

Under the HOME Program’s regulations a qualifying applicant for the DPAP must be a low-and-moderate income person, family or household as defined under HUD’s Section 8 Income Guidelines for the Parkersburg Metropolitan Statistical Area. The income guidelines are subject to change. Effective **June 15, 2022** the guidelines are as follows:

| 1 Person | 2 Persons | 3 Persons | 4 Persons | 5 Persons | 6 Persons | 7 Persons | 8 Persons |
|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| \$37,900 | \$43,300 | \$48,700 | \$54,100 | \$58,450 | \$62,800 | \$67,100 | \$71,450 |

Please Note: If the above requirements are met by an applicant it shows eligibility to participate in the Program.

B. Income Sources

A person, family or household income for this program will be based upon total gross annual income. The definition of annual income shall be consistent with the federal regulation found at 24 CFR 813.106. Annual income shall be all

anticipated income from all sources received by the family head, spouse and by each additional member (aged 18 years and older) of the family or household, related or unrelated, including net income derived from assets, for the twelve month period following the initial determination of income. Annual income includes, but is not necessarily limited to:

- ❑ Wages, salaries, tips, commissions, etc.
- ❑ Self-employment income from own non-farm business, including proprietorships and partnerships.
- ❑ Farm self-employment income.
- ❑ Social Security or railroad retirement.
- ❑ Supplemental Security Income, Aid to Families with Dependent Children, or other public assistance or public welfare program.
- ❑ Retirement, survivor, or disability pensions.
- ❑ Any other sources of income received regularly, including Veterans' Administration (VA) payments, unemployment compensation, and alimony.

Acceptable proof of income shall include, but not necessarily be limited to, the previous year's filed federal tax return (IRS 1040) and W2 forms; current wage and earning statements; copies of recent wage/salary or benefit check stubs; and copies of bank depository information identifying direct deposit arrangements. The City of Parkersburg reserves the right to request additional income documents such as third party verifications of all income and assets as needed.

Homebuyer applicants are required to report outstanding debt, obligations, and liabilities at the time of their application. Eligibility of the Program is not dependent on the amount of debt or obligations a household may possess. The City of Parkersburg evaluates the Debt to Income ratio to determine the appropriate size of DPAP assistance.

C. First Time Homebuyer

For the purposes of the DPAP, a "first time homebuyer" shall be defined as a person, family or household whereby:

- ❑ There has been no previous history of home ownership;
- ❑ A displaced homeowner situation exists whereby a home is lost due to unemployment, underemployment or other economic loss;
- ❑ A displaced homeowner situation exists whereby the homeowner has not worked full-time, full year in the labor force for a number of years, worked primarily without remuneration to care to the home or family, and who is unemployed or underemployed.

For the purposes of the DPAP, a displaced homeowner ***cannot presently own*** a home when applying. A displaced homeowner will be required to provide evidence of previous and current living status.

D. Dwelling Requirements

To comply with federal regulations and to ensure safe, decent and affordable housing to potential DPAP applicants, the following criteria apply in the selection of a dwelling:

- ❑ The dwelling unit must be located within the corporate limits of Wood County; and
- ❑ It must be in compliance with the minimum property maintenance code of the City of Parkersburg or be capable of being brought up to code; and
- ❑ It must not contain evidence of defective paint surfaces (i.e., surfaces upon which paint is cracking, scaling, chipping, peeling or loose) on all intact and non-intact interior and exterior painted surfaces. If the dwelling unit contains defective paint surfaces, the City of Parkersburg reserves the right to deny homebuyer assistance through the DPAP for the purchase of the subject property; and
- ❑ It will be occupied as the primary and principal residence of the first time homebuyer; and
- ❑ The purchase of the dwelling unit cannot be financed through a land contract.

E. Affordability Requirements

- ❑ To analyze affordability, the City of Parkersburg shall review on a case-by-case basis (with reasonable discretion) the individual, family or household gross monthly income vis-à-vis a thirty percent guideline of monthly housing expenses which include the monthly mortgage payment of Principal and Interest, estimated monthly property Tax and Insurance, otherwise known as PITI.
- ❑ The purchase value of the single family, detached dwelling cannot exceed 95% of the area median purchase price for a single family dwelling, or \$144,400.

F. Housing Counseling

The DPAP requires all applicants to complete a housing counseling course, by a HUD certified Housing Counselor. Evidence of attendance and completion of a housing counseling course is required when submitting an application. Acceptable forms of evidence include course diploma, certificate, and/or letter from the course instructor/entity.

II. TERMS AND CONDITIONS

A. Application Fee

A fee of fifty dollars (\$50.00) is due with the submission of the application. Either personal check or money order made payable to the "Parkersburg/Wood County HOME Consortium HOME Program" is acceptable. The application fee is refundable at the completion of the loan closing. It is refundable also if it is determined that the applicant is ineligible to participate in the DPAP. The fee will not be refunded if an approved applicant elects not to proceed with the purchase of a dwelling.

B. Ranking Criteria

The City of Parkersburg reserves the right to review and rank application submissions on the basis that best serves the financial and productivity goals of the DPAP.

C. Loan Amount

The City of Parkersburg will provide up to \$15,000 in HOME funds as a forgivable loan to eligible and approved DPAP applicants to cover the down payment and closing costs related to the purchase of a dwelling. The amount of down payment assistance is determined by that which is reasonable and customary. The total amount of assistance will be determined on a case-by-case basis. The homebuyer must provide a minimum of \$500.00 OR three percent of the total down payment and closing cost expenses, whichever is the higher of the two. In any event, closing cost assistance is limited to \$2,500 out of the total amount of \$15,000 in assistance.

D. Loan Term

The DPAP allows for a forgivable loan with a term of five (5) years. The City of Parkersburg will place a lien on the property purchased with HOME assistance and the City will subordinate to the first mortgage. If after five years the DPAP applicant has maintained ownership and has continued to live in the property assisted through the DPAP, the loan is forgiven as a grant. However, if the DPAP applicant sells, leases or transfers the property or fails to use it as their primary and principal residence, the DPAP applicant will be required to repay the appropriate amount of DPAP assistance to be determined based on the Resale/Recapture Provisions of the HOME Program.

E. Resale/Recapture Provision

The City of Parkersburg's Resale/Recapture Policy for Homeownership Activities is based on the HOME Program rules found in 24 CFR Part 92 and HUD Notice CPD 12-003.

The issue of resale/recapture arises when a homeowner that received homebuyer assistance under the HOME Program decides to sell the property. If the property is sold after the period of affordability has expired, there are no restrictions in terms of resale or recapture of HOME funds that apply to such a transaction. However, if the sale occurs before the period of affordability has expired, certain regulatory limitations apply.

- The regulations at 24 CFR 92.254(a)(5) give the participating jurisdiction two broad options relative to the treatment of properties that are sold before the period of affordability has expired:
 - The owner that received HOME assistance must sell the home to a low-income family that will use the property as their principal residence, or
 - The participating jurisdiction must recapture some or all of the HOME investment that was initially extended to the homebuyer.
 - The City has opted to follow and establish the "recapture provision" found at 24 CFR 92.254(a)(5)(ii).
- When Grantee or any successor in title to Grantee shall desire to sell, dispose of or otherwise convey the Property, or any portion thereof, prior to the end of the Affordability Requirement Period, the Grantee shall notify the Grantor in writing of Grantee's intention to so convey the Property (the "Conveyance Notice"). Upon receipt of the Conveyance Notice, the Grantor shall promptly inform Grantee of the its options.
 - The Grantee must sell the home to a low-income family that will use the property as their principal residence; or
 - The Grantor will recapture some or all of the HOME investment that was initially extended to the Grantee.
- Grantee shall devote diligent marketing efforts to locate an eligible low income family which is ready, willing and able to purchase the Property.
- If an Eligible Purchaser is selected to purchase the Property, or if the Grantor elects to utilize its reversionary right to the Property, the Property shall be conveyed by Grantee to such Eligible Purchaser or to the Grantor, as the case may be, by a good and sufficient warranty deed conveying a good and clear record and marketable title to the Property free from all encumbrances except:
 - such taxes for the then current year as are not due and payable on the date of delivery of the deed;

- any lien for municipal betterments assessed after the date of the delivery of the Deed;
- provisions of local building and zoning laws;
- all easements, restrictions, covenants and agreements of record specified in the deed from Grantor to Grantee; and
- such additional easements, restrictions, covenants and agreements of record as the Eligible Purchaser, the Grantor, as applicable, consents to, such consent not to be unreasonably withheld or delayed.
- The new purchaser must comply with all the rules and requirements for the program.

The deed shall be conveyed together with a "Certificate of Compliance" satisfactory in form and substance to the Grantor which shall be recorded simultaneously with said deed.

- It is the policy of the City of Parkersburg, wherever possible, to recapture the appropriate amount of the HOME investment. The City will not use the "resale" provision which restricts the sale to a qualified low-income family. Since the City is not using the "resale" provision, there is no need for a definition of "fair return on investment." The guidelines for recapture for the homebuyer program that the City has established are as follows:
 - The City requires that a deed of trust will be placed on the property in its favor for the full amount of the HOME investment.
 - Upon sale or transfer of the home by the HOME assisted household, before the period of affordability expires, the City will make every effort to recapture its pro rata share of the HOME investment from the net proceeds of the sale.
 - The City will determine the net proceeds by subtracting loan repayments and closing costs from the gross sale price of the home.
 - The City will allow the homeowner to recover the amount of the homeowner's investment in the property, which includes the down payment, principal payments, and the amount of any capital improvements made by the homeowner, from the net proceeds.
 - After calculating the amounts above, if the net proceeds are not sufficient to recapture the full HOME investment, the HOME investment amount may be reduced prorated based on the time the homeowner has owned and occupied the property measured against the required affordability period (5, 10, or 15 years).
 - If the net proceeds are not sufficient to recapture the full HOME investment, the homeowner may not recover more than the amount of the homeowner's down payment, principal payments, and any capital improvement investment.
 - The City will use HOME funds that are recaptured to assist other income eligible homebuyers.

- ❑ In the event the mortgaged property is sold or otherwise transferred prior to the expiration of five (5) years from the date of the initial sale, then the pro rata share of the net proceeds from the sale or transfer shall be paid to the City of Parkersburg.
- ❑ The City may reduce the amount of the direct HOME subsidy on a pro rata basis for the time the homebuyer has owned and occupied the house, measured against the required affordability period.
- ❑ The resulting ratio would be used to determine how much of the direct HOME subsidy the City would recapture. The pro rata amount recaptured by the City cannot exceed what is available from net proceeds.

$$\frac{\text{Number of Years Homebuyer Occupied the Home}}{\text{Number of Years Period of Affordability}} \times \text{Total Direct HOME Subsidy} = \text{Recapture Amount}$$

- ❑ The total amount payable by borrower under the preceding paragraphs shall never exceed the face amount of the note. To the extent that the net proceeds are less than the outstanding principal balance of the note, the remainder shall be forgiven. If the net proceeds are not sufficient to recapture the full HOME investment [or a reduced amount as provided for in CFR Sub-Part 92.254 (a)(5)(ii)(A)(2)] and enable the homeowner to recover the amount of his/her down payment and any capital improvement investment made by the owner since the purchase, the City may share the net proceeds. The net proceeds are the sales price minus loan repayment (other than HOME funds) and closing costs. The net proceeds may be divided proportionally as set forth in the following mathematical formulas:

$$\frac{\text{Direct HOME Subsidy Amount}}{\text{HOME Subsidy} + \text{Homeowner Investment}} \times \text{Net Proceeds} = \text{HOME Recapture Amount}$$

$$\frac{\text{Homeowner Investment}}{\text{HOME Subsidy} + \text{Homeowner Investment}} \times \text{Net Proceeds} = \text{Amount to Homeowner}$$

F. Uniform Relocation Act

Because the DPAP applicant, not the City of Parkersburg, will take responsibility for the selection and negotiation of a dwelling unit, the requirements of the Uniform Relocation and Real Property Acquisition Policies Act of 1970 (URA) are not triggered. The City reserves the right to deny assistance in circumstances in which compliance with the URA may be required.

G. Flood Insurance

On any property purchased with the assistance of the DPAP and located within the City of Parkersburg's 100-year floodplain, the purchase of federal flood insurance is required annually during the five-year term of the loan. The City

reserves the right to withhold and/or deny participation in the DPAP if the applicant fails to comply with this requirement prior to the loan closing. Furthermore, if the flood insurance on the assisted property lapses during the five-year term of the loan, the DPAP applicant will be required to repay the entire amount of the loan.

H. Property Maintenance

During the five-year term of the DPAP loan, the DPAP applicant must keep the dwelling and property in compliance with the City of Parkersburg's code requirements. Failure to do so will result in the repayment of the entire amount of the loan.

III. ADMINISTRATIVE PROCEDURES

A. Regulations

The City of Parkersburg shall be responsible for compliance with the DPAP's environmental review requirements and income verification requirements.

B. Dwelling Inspection

The City of Parkersburg shall be responsible for inspecting the dwelling unit for local code compliance.

C. Anti-Discrimination Policies

The City of Parkersburg shall comply with all federal Anti-discrimination policies. No applicant will be shall on the ground of race, color, sex, gender, national origin, religion, disability, familial status, ethnicity, language spoken, sexual orientation be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal funding and/or assistance.

IV. APPLICATION PROCESS

A. Process and Procedure

The following is a suggested format for making application for the DPAP:

- ❑ Any interested person, family or household may request from the City's Development Department a copy of the DPAP guidelines.

- ❑ The interested party takes responsibility to select an eligible dwelling unit as set forth under Section II D (Dwelling Requirements) and requests from the Development Department an application packet.
- ❑ The interested party submits a completed application for eligibility review and program compliance. An applicant will be notified via certified mail if ineligibility is determined.
- ❑ The City conducts the inspection of the subject property for DPAP compliance (i.e., Housing Quality Standards and the International Existing Building Code – IEBC – of 2015). Notification of the dwelling unit's compliance or non-compliance will be communicated to the applicant, the lending institution and the realty company. In the event it is found that the dwelling does not pass the code inspection, the applicant may select another program eligible dwelling or negotiate with the property owner to correct the code deficiencies.
- ❑ The City contacts the DPAP applicant's mortgage lender and/or realtor to determine the agreed upon purchase price of the dwelling, the down payment amount required and the loan closing cost.
- ❑ The City reviews the financial information obtained and conducts an Affordability Analysis for program compliance. If compliance is met, the City determines the actual amount of DPAP assistance and so notifies the applicant, the lender and/or the realtor.
- ❑ The City sends a letter of loan commitment to the First Time Homebuyer, who reviews the terms and conditions, agrees to the terms, and returns a signed copy back to the City.
- ❑ The City and lender establish a mutually agreed loan closing date. Several lead business days will be needed to have DPAP funds available for the loan closing.
- ❑ The City completes the Reservation of Funds form and prepares lien documents for signing at the loan closing.
- ❑ A check will be made out to the City Attorney, who will be responsible for the loan closing.