

**HomeFirst Down Payment Assistance Program
 Term Sheet**

<p>Program Description</p>	<p>HPD’s HomeFirst Down Payment Assistance Program promotes the acquisition of privately owned 1-4 family homes, cooperatives, and condominiums for owner-occupancy within the five boroughs of New York City by providing a forgivable loan of up to \$40,000 for down payment or closing costs to qualified homebuyers earning up to 80% of AMI.</p> <p>Community-based counseling agencies certified by the U.S. Department of Housing and Urban Development (HUD) and approved by HPD to participate in the HomeFirst program promote the program through newsletters, flyers, and seminars; distribute program guidelines; and enroll qualified program participants in homebuyer education classes. The counseling agencies also determine income eligibility, property eligibility and loan amount; counsel applicants about program requirements; certify completion of homebuyer education classes and refer applicants to participating lenders for pre-approval.</p> <p>Upon successful completion of the homebuyer education classes, prospective first-time homebuyers will receive a HomeFirst Homebuyer Certificate issued by HPD that verifies their eligibility for a HomeFirst forgivable loan of up to \$40,000 toward down payment or closing costs on a new home. The HomeFirst Homebuyer Certificate is valid for six months, with a subsequent six-month renewal period. After receiving the certificate, prospective homebuyers begin the path to homeownership. The counseling agency submits a HomeFirst Application for the down payment assistance loan directly to the HPD Loan Servicer for approval.</p> <p>HPD has designated a Loan Servicer to manage the HomeFirst Loan Fund and application process. The HPD Loan Servicer works with the homebuyers and their respective counseling agencies to ensure all applications are completed for HPD review. The HPD Loan Servicer verifies the client’s qualification for the HomeFirst loan based on the documentation submitted, approves the down payment assistance loan, and wires the funds to the lender at the property closing.</p>
<p>Eligibility Requirements</p>	<p>To qualify for a forgivable loan, the prospective homebuyer must meet all of the following criteria:</p> <ul style="list-style-type: none"> - Be a First-Time Homebuyer. This is defined by the U.S. Department of Housing and Urban Development (HUD) as a household that has not owned a home during the <u>three-year</u> period immediately prior to the purchase of a primary residence with HOME funding. This requirement will be waived for U. S. military veterans possessing a DD-214, verifying honorable service. - Meet program household income restrictions. All applicant households must have a <u>gross annual income</u> not exceeding 80% of the area median income as determined by HUD (see chart that follows). - Provide documentation that establishes household income eligibility (tax returns, pay stubs, profit and loss statements or any other documentation that supports income verification). - Complete a homebuyer education course taught by an HPD - approved counseling agency. - Contribute to the down payment or closing costs. - Have an employment record, sufficient financial resources and credit to enable the homebuyer to obtain a mortgage from a bank that is a financial institution whose loans are subject to regulation by a federal or state agency. - Purchase a one-to-four family home, cooperative or condominium, for owner-occupancy within any of the five (5) boroughs of New York City (<i>which falls within the approved HUD purchase price limit for those receiving assistance through federal HOME funds.</i>) - Purchase a home for use as their principal residence for at least 10 years. - Purchase a home that passes a housing inspection to certify that it is safe for habitation. All properties must meet minimum housing quality standards.

NYC Department of Housing Preservation and Development (HPD)
Office of Development, Division of New Construction Finance

Eligible Affordability Tiers

Program participants must meet the following income requirements to qualify for a forgivable loan of up to \$40,000 toward the down payment or closing costs on a one-to-four family home, cooperative or condominium.

Family Size	Maximum Household Income up to 80% AMI
1 – Person Household	\$59,750
2 – Person Household	\$68,300
3 – Person Household	\$76,850
4 – Person Household	\$85,350
5 – Person Household	\$92,200
6 – Person Household	\$99,050
7 – Person Household	\$105,850
8 – Person Household	\$112,700

Income limits are adjusted for family size and are based on the Area Median Income (AMI) calculations established and updated annually by HUD. These income limits are effective as of June 28, 2019

HPD Loan Amount

The maximum HomeFirst loan amount is \$40,000. The formula for determining the HomeFirst loan amount is 50% of the down payment* plus 100% of reasonable closing costs, with the sum not to exceed the lesser of 6% of the purchase price of the home or \$40,000.

* For the purposes of determining the HPD loan amount, the contract deposit is viewed as the down payment amount.

Purchase Price Limits

Properties purchased with assistance from Federal HOME funds cannot exceed the homeownership value limits (purchase price limits) established and updated annually by HUD for the five boroughs. The limits below are effective as of April 15, 2019 and will remain in effect until HUD issues new limits.

HOME Purchase Price Limits*				
County	1 - Unit	2 - Unit	3 - Unit	4 - Unit
Bronx	\$475,000	\$608,000	\$736,000	\$912,000
Kings	\$551,000	\$705,000	\$854,000	\$1,058,000
New York	\$552,000	\$706,000	\$856,000	\$1,060,000
Queens	\$499,000	\$638,000	\$773,000	\$958,000
Richmond	\$475,000	\$608,000	\$736,000	\$912,000

Note: 1-Unit homes include cooperatives and condominiums.

*Sales price limits reflected above are for existing homes, for new home price limits, see HUD webpage: <https://www.hudexchange.info/resource/2312/home-maximum-purchase-price-after-rehab-value/>

Primary Mortgage Requirements

Homebuyers must obtain a primary mortgage commitment from a participating HomeFirst Lender that meets the criteria reflected below in order to be eligible for a HomeFirst Loan:

- **Loan Term:** Fixed 15 - 40 year term
- **Allowable Mortgage Product Types:** All products are required to meet FHA, Fannie Mae and Freddie Mac mortgage underwriting guidelines (*203K loans are not an acceptable loan product*).
- **Eligible Property Types:** Primary mortgage must be used toward the purchase of a pre-existing or newly constructed one-to-four family property, condominium or cooperative that :

NYC Department of Housing Preservation and Development (HPD)
Office of Development, Division of New Construction Finance

- (i) Is Located in any of the five boroughs New York City; and
- (ii) Has a purchase price that does not exceed 95% of the median purchase price for the area - HUD Homeownership Value Limits.
- (iii) Meets the property standards contained in 24 CFR 92.251 and has an acceptable Inspection Report that is passing. If the property does not pass inspection and has to be rehabilitated, HOME funds cannot be used to fund any rehabilitation or repair work. Only properties that pass inspection can be acquired with HOME funds.

- **Maximum Underwriting Ratios:**

- Maximum Loan to Value (LTV) 97%
- Maximum Combined Loan to Value (CLTV) 115%
- Monthly housing-to-expense/income ratio may not exceed 43%
- Monthly debt-to-income expense (DTI) ratio may not exceed 55%

- **Credit Score Requirement:** Minimum of 620 FICO Score (580 FICO may be permitted for FHA mortgages based on lender overlays/approval).

- **Loan Restrictions:**

- Mortgages must be obtained through a licensed, recognized lending institution approved to participate in the HomeFirst Program. Mortgage brokers are not permitted.
- No-doc Mortgages, 100% Financing Mortgages (except VA loans), Interest-only Mortgages and No Income Check Mortgages are not permitted.
- Non-occupying co-borrowers/co-signers/guarantors are not permitted.
- Mortgage Loan must be originated through Lender's retail channel.

.....

- **Loan Term:** 10 years

- **Interest Rate:** 0%

- **Loan Amount:** The formula for determining the HomeFirst loan amount is 50% of the down payment plus 100% of reasonable closing costs, with the sum not to exceed the lesser of 6% of the purchase price of the home or \$40,000.

- **Income Eligibility:** Borrower's household income eligibility must be maintained up until the property closing. The HPD Loan Servicer re-verifies household income before issuing an approval and prior to closing.

- **Down Payment Requirement:** A minimum down payment (or contract deposit) of at least 3% of the purchase price is required, with the exception of VA loans which require no down payment.

- **Minimum Equity Requirement:** The borrower is required have sufficient savings to contribute towards the down payment or closing costs and make a contract deposit from their own funds. At least 1% of borrower's own savings should be contributed towards the purchase. Between 2 – 6 months of Principal, Interest, Taxes, and Insurance (PITI) mortgage payments in borrower's reserve is recommended.

- **Residency Requirement:** HomeFirst loan recipients must agree to be the principal owner-occupant and continuously occupy at least one unit in the home purchased as his/her primary residence for a period of ten consecutive years following the receipt of the down payment assistance loan. The enforcement mortgage recaptures funds in the event of a compliance default.

.....

HPD
HomeFirst
Loan Terms

NYC Department of Housing Preservation and Development (HPD)
Office of Development, Division of New Construction Finance

The HomeFirst loan amount is forgivable upon continuous occupancy of the home in accordance with the “Owner Occupancy Requirements” as defined below:

The owner must reside and sleep in not less than one dwelling unit in the home for not less than two-hundred and seventy (270) days per year (unless on active military duty, whereby each day spent away from the dwelling unit while on active military duty, shall be counted as a day spent in the dwelling unit for the purpose of this requirement), not lease any residential portion of the home (except that, if the home contains multiple dwelling units, the homebuyer may lease the dwelling units not occupied by the homebuyer, but not for transient occupancy), identify the home as their sole address/residence on any tax return, voter registration, driver’s license or other permit to operate a motor vehicle, and other document stating their address or residence, not own or lease other residential property in, or within a 100 mile radius of, New York City (any residential property acquired through inheritance must be sold within one year from the date it was acquired), and annually complete and submit to HPD an owner occupancy certification..

- **Fees:** A non- refundable application processing fee of \$750 payable to the HPD Loan Servicer by certified bank check at the time of closing is required.
- **Cancellation:** The HPD Loan Servicer or HPD may cancel or refuse to make the loan if the mortgage lender refuses to close the mortgage loan for any reason, the borrower is found not to be in compliance with requirements of the Program, or information provided by the borrower, mortgage lender or counseling agency during the application process has been falsified or found to be substantially incorrect.
- **Expiration:** The loan approval expires eighty (80) days from the date of award. Any extension of the loan approval is at the discretion of the loan servicer and/or HPD.
- **Acceptance:** The loan approval will not be effective unless one copy of the “Notice of HomeFirst Loan Approval” is signed by the Borrower and returned to the loan servicer within ten (10) days of issuance.

HPD HomeFirst Loan Repayment /Re-Capture

Loan Repayment: The HPD loan is forgivable and will be due only in the following circumstances:

1. Recipient no longer occupies the house as principal residence
2. Recipient sells the house for an amount greater than the purchase price
3. Recipient refinances for an amount greater than the existing mortgage balance
4. Recipient is found to have provided false information in the application process

If any of the first three circumstances occur within the first five years, the entire loan amount is due. The loan amount due will be reduced by 20% each year beginning on the 6th anniversary of the loan. In the event of number 4 above the entire loan amount is recaptured by HPD regardless of the amount of time that has elapsed. Note: The loan is non-interest bearing and the amount owed at the time of recapture must be repaid in full, it cannot be repaid in installments.

Security

Security: The down payment assistance loan is secured by a UCC-1 Lien for the purchase of a cooperative unit and by an Enforcement Mortgage for the purchase of a 1-4 family home or a condominium. Additionally, each purchaser executes an Enforcement Note and HOME Written Agreement at closing. Purchasers may also be required to execute a Conditional Grant Agreement, where necessary.

Eligible Closing Costs

Closing costs shall include all customary closing costs and fees (e.g. title insurance fee, commitment fees, and attorney fees) incurred by the Borrower, and discount points paid directly to the private lender at closing in exchange for a reduced interest rate in order to lower the Borrower’s monthly mortgage payment (rate buy down).

Closing Requirements

Closing requirements are as follows:

- **Homebuyer Education Certificate:** Issued by the HPD-approved counseling agency.
- **HPD Completion Certificate:** Issued by HPD upon receipt of the Homebuyer Education Certificate evidencing completion of the homebuyer education course.
- **Notice of Loan Approval:** Issued by the HomeFirst Loan Servicer indicating applicant agreement and compliance with certain program eligibility requirements (income restrictions, occupancy requirements, bank commitment, use of loan, fees and charges, cancellation, expiration).
- **Homebuyer Assistance Loan Note and Enforcement Mortgage:** Issued by the HomeFirst Loan Servicer for execution by the Borrower at closing in the amount of the loan approved by the HomeFirst Servicer establishing the intent to comply with the Owner Occupancy Requirements and establishing recapture provisions of the secured indebtedness in the event of default. The Enforcement Mortgage is recorded.
- **Homebuyer Conditional Grant Agreement:** If applicable, is executed by the Borrower at closing.
- **HOME Written Agreement:** Executed by the Borrower at closing for all transactions funded with federal HOME funds (up to 80% AMI homebuyer income) and is recorded on 1-4 family homes and condominiums.
- **UCC Financing Statement with Cooperative Addendum:** Instrument that evidences the City's security interest on the property and is completed by the HomeFirst Servicer and delivered at the closing for recording on a cooperative unit.
- **Owner Occupancy Affidavit:** Executed by the Borrower at closing establishing intent to adhere to all the Owner Occupancy Requirements and to comply with annual certification and/or any lawful investigative means to confirm compliance post-closing.

Additional Requirements

A homebuyer shall **not** be deemed an eligible homebuyer if the current owner and prospective seller of the home is a parent, child, past or current spouse, in-law, aunt, uncle, niece, nephew, grandparent, cousin, or sibling of a member of the household.

It is the sole responsibility of the eligible and participating homebuyer to:

- Locate and identify a property for purchase
- Obtain a mortgage from an HPD approved lender
- Pay for and obtain an inspection report indicating the home is safe for habitation, in good repair, and in compliance with all applicable state and local housing quality standards as is evidenced by a "Passing" Home Inspection Report submitted to HPD no later than 90 days prior to closing

The HPD HomeFirst Down Payment Assistance Program is **not** a rehabilitation program. Any rehabilitation required to ensure the property is decent, safe, and sanitary prior to purchase is the sole responsibility of the homebuyer. Program funds are to be used solely to fund the down payment or closing costs on a home purchase and may not be used towards rehabilitation costs under a 203K (or similar) mortgage.

For more information on the HomeFirst Down Payment Program, including a list of HPD-approved housing counselors, please refer to the following link:

<http://www1.nyc.gov/site/hpd/owners/homeowner-downpayment-assistance.page>

NYC Department of Housing Preservation and Development (HPD)
Office of Development, Division of New Construction Finance

Participating Homebuyer Education Counseling Agencies	All homebuyer education counseling agencies must be approved by the HPD HomeFirst Program. Only homebuyer education training classes offered by an HPD-approved counseling agency will be acceptable to meet the requirements for eligible participation in the program.
Participating Lenders	HPD has approved a designated list of private institutional lenders to participate in the HomeFirst Program by providing purchase money financing to eligible homebuyers for the purchase of an eligible home.
HPD Contact	HomeFirst Down Payment Assistance Program HomeFirst Program 100 Gold Street, Section 9K HomeFirst@hpd.nyc.gov

HPD, in its sole discretion, may, at any time and without prior notice, terminate the program, amend or waive compliance with any of its terms, or reject any or all proposals for funding.