



**LEWISVILLE**

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## Homebuyer Assistance Program

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### Program Guidelines

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| <p><b><u>Contact Information:</u></b></p> <p>Sheena Jackson, Grants Specialist<br/>Tel: (972) 219-5026<br/>Fax: (972) 219-3698</p> | <p><b><u>Our Offices Are Located At:</u></b></p> <p>City Hall 151 W. Church Street<br/>2<sup>nd</sup> Floor, East Wing<br/>Office of Planning &amp; Community Service<br/>Lewisville, TX 75057</p> <p><a href="http://www.cityoflewisville.com">www.cityoflewisville.com</a></p> | <p><b><u>Mailing Address:</u></b></p> <p>First Time Homebuyer Program<br/>P.O. Box 299002<br/>Lewisville, TX 75029-9002</p> |
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# Program Guidelines

## Introduction

The City of Lewisville has established a First Time Homebuyer Assistance Program (FHAP) to provide low and moderate-income families with affordable homeownership opportunities through the reduction of costs associated with the purchase of a home. Applications for the City's Program will be considered on a first-come, first serve basis. It is the intent of the City to operate the FHAP Program until funds are depleted. Policy clarifications or general questions should be addressed to the City's Community Development Department at the following address or telephone number: 151 West Church Street, Lewisville, Texas 75057, Phone Number (972) 219-5026 or Fax Number (972) 219-3698.

## **1. APPLICANT ELIGIBILITY REQUIREMENTS**

### 1.1. First Time Homebuyer

A first-time homebuyer is defined as: 1) an individual who has never owned a home, 2) an individual who has not owned a home in the last three years, or 3) a "displaced homemaker" or an individual that may have previously owned a home with his/her former spouse, but no longer resides in the home. Applicants who own mobile homes that are not permanently affixed to a permanent foundation and who are renting the land that the mobile home rests on are considered first time homebuyers.

### 1.2. Income

Household income must be at or below 80% of the Area Median Income (AMI) adjusted for family size. Eligibility will be determined using the most current HUD Income Guidelines and the Annual Income definition of income as defined by 24 CFR Part 5.

| <b>NUMBER OF PEOPLE IN HOME</b>       | <b>VERY LOW INCOME<br/>(Under 50% of Median Area Income)</b> | <b>LOW INCOME (51 – 60% of Median Area Income)</b> | <b>MODERATE INCOME (61 – 80% of Median Area Income)</b> |
|---------------------------------------|--|--|---|
| 1                                     | \$23,650 or below  | \$23,651 - \$28,380                                | \$28,381 - \$37,850                                     |
| 2                                     | \$27,050 or below  | \$27,051 - \$32,460                                | \$32,461 - \$43,300                                     |
| 3                                     | \$30,400 or below  | \$30,401 - \$36,480                                | \$36,481 - \$48,700                                     |
| 4                                     | \$33,800 or below  | \$33,801 - \$40,560                                | \$40,561 - \$54,100                                     |
| 5                                     | \$36,500 or below  | \$36,501 - \$43,800                                | \$43,801 - \$58,450                                     |
| 6                                     | \$39,200 or below  | \$39,201 - \$47,040                                | \$47,041 - \$62,750                                     |
| <b>Down Payment Assistance</b>        | <b>1.5%</b>  | <b>1.5%</b>  | <b>1.5%</b>   |
| <b>Closing Cost Assistance</b>        | <b>95%</b>   | <b>85%</b>   | <b>80%</b>  |
| <b>Location Incentive TRAIN areas</b> | <b>\$1,500</b>   | <b>\$1,500</b>                                     | <b>\$1,500</b>  |
| <b>Principal Reduction Assistance</b> | <b>\$10,000</b>  | <b>\$4,000</b>                                     | <b>0</b>  |

### 1.3 Declaration of Citizenship Status

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 provides, with certain exceptions, that only United States citizens, United States non-citizen nationals, and “qualified aliens” are eligible for public benefits. The following is required to verify citizenship or alien status.

**(a) A U.S. Citizen is:**

- (1) a person (other than the child of a foreign diplomat) born in one of the several states of the United States or in the District of Columbia, Puerto Rico, Guam, the United States Virgin Islands, or the Northern Mariana Islands who has not renounced or otherwise lost his or her citizenship;
- (2) a person born outside the United States to at least one United States citizen parent; or
- (3) a naturalized United States citizen

**(b) A U.S. Non-Citizen National is:**

- (1) a person born in the outlying possession of the United States (American Samoa or Swain’s Island) on or after the date the United States acquired the possession; or
- (2) a person whose parents are United States non-citizen nationals (subject to certain residency requirements).

**(c) A Qualified Alien is:**

- (1) an alien lawfully admitted for permanent residence under the Immigration and Nationality Act (INA);
- (2) an alien granted asylum under § 208 of the INA;
- (3) a refugee admitted to the United States under § 207 of the INA;
- (4) an alien paroled into the United States under § 212(d)(5) of the INA for at least one year;
- (5) an alien whose deportation is being withheld under § 243(h) of the INA as in effect prior to April 1, 1997, or whose removal is being withheld under § 241(b)(3) of the INA;
- (6) an alien granted conditional entry pursuant to § 203(a)(7) of the INA as in effect prior to April 1, 1980;
- (7) an alien who is a Cuban or Haitian entrant as defined in § 501(e) of the Refugee Education Assistance Act of 1980; or
- (8) an alien who (or whose child or parent) has been battered or subjected to extreme cruelty in the United States and otherwise satisfies the requirement so § 431 (c) of the Act.

### 1.4 Homebuyer Education Course

The homebuyer must complete homeownership training and counseling program from a certified Housing and Urban Development (HUD) Housing Counseling Agency only. Applicants must provide evidence of completion of the homeownership training and counseling program before funds will be released. Classes are free to all homebuyers. If property is being purchased jointly, both borrower and co-borrower must attend class.

The class must: 1) be conducted at a HUD-approved counseling agency, and 2) be 8 hours (no on-line versions or one-to-one unless approved).

Classes are available at the City of Lewisville (972) 219-3455 or Consumer Credit Counseling Services of Greater Dallas (214) 638-2227. Spanish classes only are available at CCCS of Dallas location.

## 1.5 Assets

If applicants have liquid assets of \$8000 or above, they will be required to apply all amounts in excess of \$8,000 toward their home purchase. Liquid assets are those that can be readily converted to cash such as cash, checking, savings, stocks, and bonds. Tax deferred accounts such as IRAs, 401Ks, and other retirement accounts are excluded from the definition of liquid assets.

## 1.6 Contributions

The homebuyer(s) must provide \$1,500 from their own resources for down payment, closing costs, and/or third-party fees. Buyer minimum contribution must be met prior to or at closing. The following third party fees are acceptable expenses paid outside of closing that may count toward the \$1,500: survey, credit report, appraisal, earnest money, option fee, inspection, etc. Buyers must retain copies of all receipts for all expenses paid outside of closing in order for them to be credited to the transaction at closing.

Outside gift funds are allowed and total gifts may not exceed 6% of the total sales price. Each gift fund and/or program must be submitted to the City of Lewisville in writing and must be supported by documentation of the pertinent facts.

The total costs covered by seller's contribution may not exceed 3% of the total sales price.

## 1.7 Working with 3<sup>rd</sup> Parties

Although Buyer's Representation is not required in order to apply for funds, all Realtors working with applicants must be certified to work with the program. Loan Officers/Mortgage Brokers and Title Companies must be certified to work with the program as well. Attendance at a minimum of one training session per year is required as certification expires after one year. No fees required. Contact Sheena Jackson at (972) 219-5026 or sjackson@cityoflewisville.com for training session dates.

Preferred Partner Status will be granted after 2 successful closings with the program. See Orientation Packet for listing. Program applicants not yet working with any 3<sup>rd</sup> parties will be referred to those partners that have received "preferred" status.

## 2.0 PROPERTY REQUIREMENTS

### 2.1 Sales price

There is no cap on the sales price of the home purchased.

### 2.2 Eligible Property

- (a) Property must be located in the City limits of Lewisville only;
- (b) Property located in an area identified by the Federal Emergency Management Agency (FEMA) as a special flood hazard area, must carry flood insurance for the life of the loan. Proof of insurance is required prior to funding;
- (c) Property cannot be located in an airport clear zone or on a toxic waste site;
- (d) Property may be an existing housing unit or new construction;
- (e) Property must be a single-family family unit (i.e. house, duplex, condo, townhouse);
- (f) Government-owned property is eligible, i.e. HUD

### 2.3 Texas Minimum Construction Standards Inspection

In order for a property to be considered eligible for the City of Lewisville's First Time Homebuyers Assistance program (FHAP), it must pass the Texas Minimum Construction Standards inspection criteria set forth by the city. It will help expedite the FHAP approval process if all the necessary repairs are completed prior to the initial TMCS inspection. **The TMCS inspection does not replace the buyer's need for an independent inspection.**

## 2.4 Lead-based paint

If the home being purchased was built before 1978, the City of Lewisville is required to conduct a visual assessment of the house for deteriorated paint during the City's Texas Minimum Construction Standards Inspection. If any paint is found to be deteriorated, either inside or outside, the paint must be repaired, and then the entire house must be inspected for the presence of lead-based paint dust. If lead dust is present, the City will not be able to provide any financial assistance, unless the owner is willing to do what is necessary to eliminate the lead hazards in the house.

The City should be informed by the real estate salesperson after acceptance of the purchase contract by the seller so that the City's inspection may be scheduled and not delay the closing. The purchase contract should be submitted subject to passing the City's TMCS Inspection.

## 2.5 Notice to Seller

The City of Lewisville makes every effort to inform the seller(s) that the city **is not** utilizing its power of eminent domain to condemn the property. The Notice to Seller requires original seller signatures certifying: 1) the property's appraised value, 2) the occupancy status of the property, 3) the willingness of the seller(s) to proceed with the negotiation of the sale.

## 2.6 Terms of Affordability and Recapture Provisions

| <b>FHAP Assistance</b> | <b>Occupancy Requirement</b> | <b>Repayment Provisions</b><br><i>(if occupancy requirement not met)</i> |
|------------------------|------------------------------|--|
| \$8,000 or less        | 5 Years                      | < 5 Years<br><i>(Full amount of loan)</i>                                |
| Over \$8,000           | 10 Years                     | < 5 Years<br><i>(Full amount of loan)</i>                                |
|                        |                              | > 5 Years<br><i>(pro-rated)</i>  |

The homebuyer must agree with the recapture provisions as determined by the City of Lewisville. The City of Lewisville is offering the buyer down payment, closing cost, and principal reduction assistance in the form of a deferred payment loan. The occupancy requirements and the term of the FHAP loan is based on the amount of assistance that is provided for down payment, closing costs, and principal reduction assistance. The City of Lewisville places a lien on the property (soft second) that is released as the loan is forgiven at the term of the loan.

Households receiving **\$8,000 or less** of assistance from the City of Lewisville are required to have the home remain the buyer's principal place of residence for **five-years**. After five years, the deferred payment loan will be forgiven. If the buyer no longer had the home as a principal residence before the five year term expires, they will be obligated to pay the City of Lewisville the full amount of assistance originally received during the purchase of the home.

Households receiving more than **\$8,000** of assistance from the City of Lewisville are required to have the home remain the buyer's principal place of residence for **ten-years**. If the buyer no longer had the home as a principal residence during the first five years, they will be obligated to pay the City of Lewisville the full amount of assistance originally received during the purchase of the home. After five years, the first \$8,000 of assistance will be forgiven. In years 6-10, the amount of assistance received in excess of \$8,000 will be forgiven by 20% per year or 1/60 per month. Any outstanding balance would be subject to recapture. A lien will be filed by the Title Company listing the City of Lewisville as the subordinate lien holder.

### **3.0 ELIGIBLE LOANS**

#### **3.1 Types**

All loan programs must be FHA/VA/Conventional and at a fixed rate for 30 years or less. Adjustable Rate Mortgages (ARM), buy downs, balloons, 203K loans, 80/20, ITIN loans are not allowed.

#### **3.2 Rates**

The mortgage interest rate cannot exceed the average interest rate for the same loan program by more than 2%. Interest rates over 8.5% require City Manager Waiver Request

#### **3.3 Allowable closing costs (revised 06.26.08)**

Due to the varying fee structures that currently exist, the City of Lewisville does not include a comprehensive list of eligible closing costs. However, eligible costs must be “normal and customary” and must not include “junk fees.”

##### **Allowables:**

- Processing/Underwriting fees (\$1,000 maximum)
- Mortgage Insurance Premium
- Appraisal Fee
- (1) Point Origination Fee
- Approved Discount Points (2 maximum)
- Title Insurance
- Prepays (Tax Pro-ration, Prepaid Interest)
- Hazard Insurance
- Attorney’s Fees
- Flood Certification Fee
- Closing/Escrow Fee
- Document Prep Fee
- Home Inspection Fee/Termite Inspection
- Property Survey
- Credit Report Fee
- Recording Fee
- Home warranty
- HOA fee

##### **Non-Allowables:**

- Warehouse fees
- Processing/Underwriting Fees in excess of \$1,000
- Commission
- Yield Spread Premium
- Servicing Fees
- Finder’s Fees
- Repair costs
- Real estate transaction fees

#### **3.4 Subordinate documents**

The title company will be responsible for filing the City of Lewisville Subordinate Deed of Trust and Promissory Note and mailing signed copies back to the City of Lewisville.

### **4.0 APPLICATION PROCESS**

#### **3.1 Length of Process**

The entire length of the grant assistance process takes **30 days or less from the date of an executed purchase contract**, depending upon the status of the applicant. Generally, applications are not allowed within 2 weeks of closing.

## 3.2 Sequence of Events

### **a) City Screening**

Inbound calls and/or emails from homebuyers are screened for minimum eligibility requirements. Third parties that refer their clients are encouraged to have clients call city staff for screening prior to making an appointment for orientation. Those interested parties meeting the minimum program qualifications are invited to an orientation appointment made between the hours of 8 a.m. – 11 a.m. and 2 p.m. -3:30 p.m., Monday through Friday (no lunch hour appointments are available).

### **b) City Orientation**

Together with the applicant, City staff will complete an income interview and the initial program application, answering any questions about the program and explaining the process in detail. City staff will assist in registering applicant for the homebuyer education class, providing referrals and establishing a Plan of Action depending on the applicant(s) needs and goals. Applicant(s) are encouraged to bring copies of their most recent pay stubs (one month) and their most recent tax return. City staff will not make copies.

### **b) Loan Pre-qualification**

A loan pre-qualification is required prior to applying for funds. The loan officer must be approved to work with the program (see Section 3.5).

### **c) Homebuyer Education class**

1. Free to all homebuyers
2. Must be conducted at a HUD-approved counseling agency
3. Must be 8 hours (no on-line versions or one-to-one unless approved)
4. City of Lewisville (972) 219-5026 or CCCS of Dallas (214) 638-2227
5. Spanish classes only available at CCCS of Dallas location.

### **c) City of Lewisville Preliminary Approval**

**A hard copy packet of the following documents are required in order to issue a City Preliminary Approval and must be submitted by the mortgage representative only:**

(may take up to 5 business days for approval):

1. City Application (completed with city staff during one-to-one session)
2. Copies of paystubs and bank statements (3 most recent consecutive months)
3. Copies of income tax returns and W-2's (2 most recent consecutive years)
4. Verification of Employment
5. Loan pre-qualification letter
6. MCAW/Transmittal Summary
7. Good Faith Estimate (G.F.E.)
8. Signed Loan Application (1003)

### **d) Shop for Property.**

The Realtor must be approved to work with the program (See Section 2.6); attendance at a minimum of one training session per year is required.

### **e) City of Lewisville Home Inspection (free)**

In order for a property to be considered eligible for the City of Lewisville's First Time Homebuyers Assistance Program (FHAP), it must pass the Texas Minimum Construction Standards inspection criteria set forth by the city. The TMCS inspection does not replace the buyer's need for an independent inspection. Inspections can be completed within 48 hours after inspection is ordered by city staff AND after Preliminary Approval has been granted. Realtors may not order inspections. To order the inspection, contact Sheena Jackson at (972) 219-5026 or [sjackson@cityoflewisville.com](mailto:sjackson@cityoflewisville.com).

**f) City of Lewisville Final Grant Approval**

**Required no later than 3 business days before closing:**

9. Homebuyer Education Certificate
10. Evidence of Homeowner Insurance
11. Appraisal
12. General Home Inspection and Termite Report
13. Sales Contract
14. Notice to Seller (original signatures)
15. Lead-based Paint Seller Disclosure Addendum (HUD form 9545-Z or HUD Form 9545-Y)
16. Final Signed Loan Application\*
17. Title Company Wiring Instructions
18. Legal Property Description
19. Proof of citizenship
20. Copies of Buyer receipts for POCB's
21. **Final HUD-1 (not preliminary)\***

***The City Manager or his designee, upon determination of a good cause, may waive any of the above guidelines not otherwise required by the funding source, City ordinance or policy. Each such waiver must be in writing and must be supported by documentation of the pertinent facts and justifications.***

## **TEXAS MINIMUM CONSTRUCTION STANDARDS INSPECTION (TMCS)**

### **PRE-INSPECTION INFORMATION SHEET**

1. All utilities must be on and all appliances that are to remain in property must be clean and in good working condition.
2. Property must have working smoke detector in a common hallway to bedrooms and on all floors of a multi-level property.
3. Water heaters must be properly vented and have a pressure relieve valve with a discharge line that drains horizontally out through the wall to exterior, or it must be directed down to within approximately 6 inches of the floor.
4. GFI plugs must be installed in all outlets located near kitchen and bathroom sinks.
5. Bathrooms must have a window that opens or a working exhaust vent system.
6. Bedrooms must have a window that opens and locks properly.
7. Doors must be free of holes, weather-tight (if exterior), and have workable locks.
8. All plumbing must be in good working condition (no leaks and draining properly).
9. All walls and ceilings must be free of holes and clean.
10. All electrical wiring must be properly installed and covered. Exterior wiring that is not covered must be enclosed in a conduit.
11. Heating and A/C units must be in good working condition and properly vented.
12. No peeling paint on interior or exterior (pre 1978 properties).
13. Floors must be free of loose tile or torn carpet.
14. All windows must be in good working condition, weather-tight, free of broken panes and have workable latching devices.
15. The property must be free of garbage and debris inside and outside.
16. The unit must be free of any other hazards not specifically identified above.



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**NOTICE TO SELLER**

**Requires original seller(s) signatures**

Property's Address: \_\_\_\_\_

Zip Code: \_\_\_\_\_

Seller's Name: \_\_\_\_\_

Date: \_\_\_\_\_

This letter is to inform you that the property you own at the above address is proposed to be purchased by a person receiving Federal assistance. This is to assure you that this sale is strictly voluntary and the purchaser does not have the power of eminent domain. Therefore, your property will not be purchased if negotiations fail to result in an agreed upon price. The fair market value of your property (appraised value) is estimated at \$ \_\_\_\_\_.

Additionally, the vacancy status of your property may have an impact on the proposed purchaser's ability to finance the purchase of this home. Please provide information below regarding the vacancy status of your property.

Please acknowledge your receipt and understanding of the information related above by placing an "x" in the box beside all applicable statements shown below. Make a copy of this letter for your records and send the original to the City of Lewisville Community Services Division.

Please contact Sheena Jackson at 972-219-5026 if further information or assistance is needed.

I, the seller, have read and understand the above information:

- ( ) I hereby certify that the property above has been my primary residence for \_\_\_\_\_ month(s) preceding the sale of the property.
- ( ) I hereby certify that to the best of my knowledge the property above has been vacant for \_\_\_\_\_ month(s) preceding the sale of the property.
- ( ) I hereby certify that to the best of my knowledge the property above has been occupied for \_\_\_\_\_ month(s) preceding the sale of the property.

AND

- ( ) I wish to proceed with the negotiation/sale.
- ( ) I do not wish to proceed with the negotiation/sale.

\_\_\_\_\_  
*Seller's Signature*

\_\_\_\_\_  
*Date*

\_\_\_\_\_  
*Seller's Signature*

\_\_\_\_\_  
*Date*