

CITY OF PATERSON



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Mayor

Department of Community Development

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Division of Housing

First Time Homeownership Program

Guidelines

Effective: 6/28/2018

I. Introduction

The purpose of the guidelines for the First Time Homeownership Program (FTHBP) is to set forth the qualification requirements and procedures for a FTHOP loan/grant. The FTHBP was created to help low to moderate income individuals and families qualify to purchase a home. Since many people are unable to qualify for a mortgage under typical underwriting guidelines, the First Time Homeownership Program will provide a limited amount of HOME funds for down payment and closing cost assistance. However, the FTHBP borrowers must have a reliable source of income and demonstrate a responsible attitude towards credit and bring some cash contributions to the purchase table.

The FTHBP Program is available on a one-time basis to a borrower(s) purchasing a home in the City of Paterson. The program will be provided to a borrower(s) that meets the income guidelines provided by the United States Department of Housing and Urban Development (HUD), which are established on an annual basis. The program is not available to individuals who hold interest in real estate with certain exceptions detailed under Asset Requirements and Limitations.

2020 LOW INCOME LIMITES FOR THE CITY OF PATERSON'S FIRST TIME HOMEBUYER'S PROGRAM

**(Bergen/Passaic Counties – Median Household Levels
Based on Four-Person Low-income Limits is \$78,500.00)**

TOTAL # OF PEOPLE IN HOUSEHOLD	MAXIMUM INCOME LIMITS
(1) One person household	\$58,350.00
(2) Two persons household	\$66,700.00
(3) Three persons household	\$75,050.00
(4) Four persons household	\$83,350.00
(5) Five persons household	\$90,050.00
(6) Six persons household	\$96,700.00
(7) Seven persons household	\$103,400.00
(8) Eight persons household	\$110,050.00

Please note that these figures are subject to change periodically as recommended by HUD.

II. Program Requirements

- a. Any individual interested in the First Time Homeownership Program must attend a Homebuyers Counseling Seminar. The Homebuyers Counseling Seminar enables anyone who desires to own a home get the counseling required to understand the responsibility of homeownership. Each applicant must attend a Homebuyers Counseling Seminar conducted by a HUD-certified Home Counseling Agency and receive a "Certificate of Completion".

The Housing Counseling Assistance Program enables anyone who wants to (or already does) own housing- whether through a HUD-funded program, a Veteran's Affairs program, other Federal programs, a State or local program or the traditional market-to get the counseling they need to make their mortgage payments and to be responsible owners in other ways. The counseling is provided by three HUD-certified housing counselors. Counseling includes:

- Financial literacy, home financing, budgeting and credit repair;
- Predatory lending, different types of mortgage, how to get a mortgage loan, RESPA issues, good faith estimates;
- Keeping and maintaining your home.

The Following Websites have approved classes available: Please note that Certificates Must have an expiration date printed.

<http://www.ehomeamerica.org/> <http://www.mgic.com/lender-services/homebuyer-education.html>
<https://homebuyereducation.genworth.com/register/>

- b. The applicant must pick up an application packet from the City of Paterson, Department of Community Development, Division of Housing, 125 Ellison Street, 2nd Floor, and Paterson. This is the opportunity for the applicant to ask the intake person any questions about the process and the appropriate steps.
- c. The applicant must return the application, along with the projected income information for the staff to determine whether they are potentially eligible for the program based on the information provided in the application (family size, income sources, asset sources and qualification as a First Time Homeowner). The applicant will also be required to document he/she have the minimum beneficiary contribution to the purchase either in cash verified in savings and/or checking accounts or from a gift letter.

The information necessary for eligibility includes tax returns for **all** adult members of the household for the previous two years; social security numbers and birth certificates for all household members; identify who will reside in the unit and provide custody agreement or certification of pregnancy.

- d. Income Requirements and Eligibility

The City of Paterson needs to qualify you for the use of the federal funds utilized for the FTHOP. We need to determine that your gross family income is less than the determined income limit established by the United States Department of Housing and Urban Development. This step will be performed at the time you present your application to assure you are income-qualified as you proceed

through the subsequent steps. To perform this task, the applicant will need to provide the following information:

1. Applicant must provide copies of the two (2) most recent IRS Income Tax Transcripts with W2's attached and all other income tax documentation for all adult household members.
2. Applicant must provide six (6) most recent consecutive pay stubs for all household members. If there is a household member over the age of seventeen (17) that is not working, signed verification documentation advising of such will need to be provided. All family members who are eighteen (18) years and older who are full-time students must provide proof of enrollment/attendance for the current school year.
3. Please supply all birth certificates for all household members, including minor children. If you have custody of a child, copies of the custody documents will need to be provided. **Household composition should not change during the process unless under unusual and documentable circumstances, such as a court order or death.**
4. Applicant must provide (if applicable) copies of the following income sources: alimony, child support, social security, social security insurance (SSI), unemployment, veteran's benefits, pension benefits. Foster care income will not be used as a source of income for this program nor will foster children be included in the family composition.
5. Applicant must provide six (6) months of his/her banking statements: Checking, savings, stocks, IRAs, 401(K), annuities, certificates of deposit and pension. Any household that has more than \$10,000 in liquid assets (checking accounts, savings accounts, Certificates of Deposits or other assets that are readily accessible) will be required to put all assets over \$10,000 toward the down payment and closing costs prior to receiving funds through the First-Time Homebuyer Program. **Households that have in excess of \$40,000 in liquid assets are ineligible to participate in the First-Time Homebuyer Program.** Applicants that are provided a "Gift" to be used towards the purchase of the home understand that these funds will be deemed liquid assets and added to the annual household income. A "Gift" exceeding \$40,000 will disqualify the applicant from participating in the First Time Homebuyer Program. Applicants are expected to contribute at least 1% of the purchase price as down payment from their own funds toward the cost of the property. Applicants that receive regular reoccurring bank deposits not related to their documented sources of income, must have the regular reoccurring deposits added to the annual household income.

- e. If the applicant meets the income criteria and the counseling requirement, he/she will be instructed to meet with a lender to determine the level of financing viable and perform a pre-qualification for mortgage. The first mortgage loans must be at a FIXED rate in order to receive funding from the FTHOP.
- f. When the applicant has been pre-qualified for a loan, he/she should shop for a property to purchase in the City of Paterson. The value of the property can't exceed the 203(b) limit established for the City of Paterson by the United States Department of Housing and Urban Development. The home must meet all applicable codes and standards at the time of occupancy and HOME investment. At this time, the applicant may be asked to provide updated income verification to determine continued eligibility if the information provided earlier is over six (6) months old.

- i. Only properties located in the City of Paterson are eligible for the FTHOP. If the property you wish to purchase costs more than the amount listed below, you will not qualify for this particular program. The maximum purchase prices are as follows:

Purchase Price	Housing Type
*\$250,000.00	One Family/Condominium/Townhouse
\$300,000.00	Two Family
\$360,000.00	Three Family
\$442,000.00	Four Family

***Section 8 vouchers can only be used for one family properties.**

- ii. Please be advised that this program does not provide funding for Co-Op units.
- g. The City of Paterson Division of Housing must inspect the property to determine whether the property meets the applicable codes and standards before the process can continue and HOME funds invested in the property. The inspection is usually triggered by the applicant providing a copy of their purchased home inspection report. A copy of the City of Paterson's inspection report identifying that the unit has passed inspection must be maintained in the applicant's file.
 - i. Prior to the City of Paterson's inspection of the applicant's chosen property, the following documents must be provided to the City of Paterson's Division of Housing:
 1. Contract of Sale
 2. Disclosure Information on Lead-Based paint and Lead-Based Hazards
 3. Proof of applicant equity investment or gift letter from the individual providing the funds.
 4. Good Faith Estimate in Lending Disclosure Statement
 5. Mortgage Commitment Letter

6. Appraisal Report
 7. Home Inspection Report (This report will be used as a basis for the inspection conducted by the City of Paterson)
 8. Housing Quality Standard Inspection (This inspection will be performed by the City of Paterson)
 9. Lead Paint Certificate and Complete Lead Report (applicable for any property built prior to 1978, please contact the City of Paterson's Division of Health at (973) 321-1277)
 10. Property Title Search
 11. Homeowner's Insurance Policy
- h. A copy of the preliminary HUD-1 form, the income verification and verification of the applicant's cash investment will be collected by the City of Paterson, Division of Housing. This will determine the level of assistance necessary for the investment of HOME funds.
 - i. The application file and all supporting documents will be provided to the Loan Review Committee for approval. If the loan is approved, a "Good Faith Estimate" will be provided and the letter of approval forwarded to the applicant. If the applicant is denied, a letter will be sent identifying the reason and allowing the applicant fourteen (14) days to schedule a meeting with the City of Paterson to discuss the reason for the denial. At that time, the applicant may provide additional information to overturn the denial based on a second review of the committee.

III. Loan Review and Approval

- a. The staff will underwrite and approve all loans made through the First Time Homeownership Program.
- b. Once approved by the underwriter, the bank selected to fund the first mortgage should not delay preparation of closing loan documents, because they elect to re-underwrite the loan.
- c. A program review committee of no less than three individuals appointed by the Director of the Division of Housing, in consultation with the Director of the Department of Community Development, is required to review and approve an application.
- d. Loans will be approved by a majority vote of the members present.
- e. The terms of the loan and the conditions for the approval will be acknowledged by the Loan Review Committee (LRC) and forwarded to the applicant for acceptance.
- f. If a loan is denied, the reason(s) for the denial must be provided in writing to the applicant.

IV. Funding

- a. Primary funding by the participating bank shall be established by the lending institution and preferred to meet the affordability of the homeowner.
- b. Secondary funding by the City of Paterson will not exceed **\$14,500.00**, under the FTHB's Program. ***The same will be capture and used for the Developer Assisted Projects;***

however, they projects are precluded from accessing additional funding through the FTHB's Program.

- c. In no case will the combined bank and the City of Paterson loan amounts exceed the lesser of either 100% of the acquisition cost or the appraised value.

Selection of the Bank

- The funding bank for the First Time Homebuyers Program loan(s) (except for applicants referred by a participating bank) will be determined by the market and the Counseling Agency will make the participant aware of the institutions open and available for funding.
- Participating banks referring applicants to the First Time Homeownership Program agree to fund all referrals, if the applicant referred is approved by the Loan Review Committee. To be considered a qualifying referral, the referring bank shall meet the following minimum criteria:
 - Submit the information from the borrower(s) on a completed loan application.
 - Provide an analysis of the prospective borrower(s)'s income and debt.
 - Educate the prospective borrower(s) in the home buying and financing process.
 - Submit up-to-date financial information (tax returns, W2's, bank statements, pay stubs, investment statements, etc.).
 - Assist the prospective borrower(s) in understanding and clearing derogatory credit.

V. Loan Closing and Servicing

- a. The applicant must agree to the terms of the loan commitment letter.
- b. Uniform closing instructions are prepared by the First Time Homeownership Program counselor and distributed to the closing attorney and funding bank.
- c. All loans require title insurance, hazard insurance and a wood-destroying insect report.
- d. Tax service fees and flood certification fees may be charged by the funding bank.
- e. Neither the funding bank nor the City of Paterson may collect a loan processing fee, document preparation fee, underwriting fee, inspection fee, appraisal review fee or any other type of loan fee not specifically provided for herein.
- f. No discount points shall be paid by the borrower.
- g. Both the funding bank's loan and the City of Paterson loan should be reflected on one (1) HUD-1 settlement statement prepared by the closing attorney.
- h. The funding bank is responsible for establishing and maintaining the escrow account for real estate taxes and hazard insurance.

- i. The funding bank and the City of Paterson are responsible for servicing their respective loans.

VI. Legal Requirements of Borrower

- a. Both deeds of trust must be signed by all parties taking title to the property.
- b. The promissory note(s) must be signed by all individuals listed on the application as borrower(s).
- c. The deed of trust must also be signed by each individual whose signature is necessary under the applicable statutory or decisional law of the state to create a valid lien, pass clear title, waive inchoate rights or assign earnings.
- d. Additional signatures may be accepted, if voluntarily submitted.
- e. Cases involving “power of attorney” must be pre-approved.
- f. In the event of the sale or refinance of the property purchased with the use of funds from the FTHOP, the owner will have to repay the grant/loan funds to the city of Paterson should the event occur within the affordability period.

VII. Closing Statement

The federal government, through the United States Department of Housing and Urban Development’s HOME Program, is funding this program. This program requires applicants to be income eligible, as well as maintain his/her “new” home as his/her primary residence. Please review the federal requirements, which are listed below:

- If you purchase existing housing stock, you must agree to keep it affordable for a five (5) year period. You must agree to live in the home as your primary place of residence.
- If you purchase a newly-constructed housing stock, you must agree to keep it affordable for a twenty (20) year period. You must agree to live in the home as your primary residence.