



# **HOME BUYER ASSISTANCE PROGRAM GUIDELINES**

Eighth Amended and Restated Guidelines

*Effective: XX,XX,XXXX*

CITY OF HOUSTON

HOUSING AND COMMUNITY DEVELOPMENT DEPARTMENT

2100 Travis St., 9<sup>th</sup> Floor

Houston, TX 77002

Program Contact Information

The HAP Customer Service 832-394-6200

<https://www.houstontx.gov/housing/hap.html>

[hap@houstontx.gov](mailto:hap@houstontx.gov)

These guidelines are not meant to be a substitute for federal regulations nor is it exhaustive regarding all considerations affecting the sources or usage of funds. The Homebuyer Assistance Program (HAP) is governed by applicable federal, state and local laws, statutes, regulations, codes, and ordinances. Where these guidelines and other applicable laws, statutes, regulations, codes, ordinances, or policies are, or appear to be in conflict, the most restrictive shall apply.

***The Director of the City of Houston Housing and Community Development Department (HCDD) may further amend the guidelines and approve and amend the Single Family Manual in order to comply with applicable requirements of the United States Department of Housing and Urban Development ("HUD") and other regulatory authorities and/or to ensure the efficient and proper administration of the HAP, provided that, without further Council approval, such administrative revisions***

***(i) must limit to \$75,000.00 the Maximum Subsidy Amount to First-Time Homebuyers and***

***(ii) must limit to 80% the maximum area median income requirement for program participants.***



## Version History

Version	Date	Changes
1.0	9/27/2005	Original Version
2.0	10/16/2007	N/A
3.0	9/17/2004	N/A
4.0	11/30/2016	<ul style="list-style-type: none"> <li>• Replace HOME funds with CDBG</li> <li>• Inclusion of TIRZ funds</li> <li>• Added flat 5-year affordability period</li> <li>• Increased subsidy amount to \$25,000</li> <li>• Added tiered approach to determining amount of subsidy qualification</li> </ul>
5.0	11/07/2018	<ul style="list-style-type: none"> <li>• Increase maximum subsidy amount to \$30,000</li> <li>• Allow all eligible homebuyers to receive maximum subsidy</li> <li>• Decrease homebuyer contribution from \$1,000 to \$350</li> <li>• Added liquid assets limit at \$15,000</li> </ul>
6.0	03/03/2022	<ul style="list-style-type: none"> <li>• Removed HOME program</li> <li>• Added additional homebuyer eligibility requirements</li> <li>• Added annual income inclusions and exclusions</li> <li>• Updated area median income limits</li> <li>• Updated application process</li> <li>• Increased liquid asset limit to \$30,000</li> <li>• Included Version Control Chart</li> <li>• Removed citation 24 CFR 813.106</li> </ul>
7.0	04/05/2023	<ul style="list-style-type: none"> <li>• Increase subsidy up to \$50,000</li> <li>• All adult Household Members cannot be a registered sex offender</li> <li>• Added a Front-End ratio requirement of 33%</li> <li>• Buyer's Contribution – need proof before closing</li> <li>• Divorce Decree-need entire recorded copy</li> <li>• Updated the Application Intake phase timeframe to 30/45 calendar days</li> <li>• Property Selection-updated Waiver to Extension</li> <li>• Administrative Withdrawal timeframe updated to 30/45 calendar days</li> <li>• Occupancy-Sellers Occupancy should be received once a property is under contract</li> <li>• Ineligible Uses of Funds – added Debt cannot be paid at closing and First-Time Homebuyer cannot receive cash back at closing</li> <li>• Removal of redundant language and requirements</li> </ul>

		<ul style="list-style-type: none"> <li>• Added cross cutting federal regulations</li> <li>• Updated definitions</li> <li>• Updated visual guide to include monitor/compliance</li> <li>• Added a Reporting Requirement section to include data collection</li> <li>• Added Zero Income Certification Requirements</li> <li>• Added prioritization of grant subsidy disbursement</li> <li>• Added language to lender allocation of subsidy allocation</li> <li>• Added requirement for Property Appraisal vs Sales Price</li> <li>• <b>HCDD Management Approval 3/28/2023</b></li> <li>• <b>City Council Approval 04/05/2023</b></li> </ul>
8.0	XX/XX/2026	<ul style="list-style-type: none"> <li>• Increased subsidy up to \$75,000</li> <li>• Clarified proof of Citizenship or Permanent Residency in the Homebuyer Eligibility Requirements</li> <li>• Included requirement of verifying proof of Citizenship or Permanent legal status via SAVE.</li> <li>• Added updated Child Support requirement for all Household Members between the ages of 18 and 62.</li> <li>• Added maximum gift amount of \$20,000.</li> <li>• Revised timeframe to 90 Calendar days to find a home</li> <li>• Revised minimum time between denial and reapplying to the program to 180 Calendar days</li> <li>• Updated Floodplain language to align with HUD language</li> <li>• Added definition for non-purchasing spouse</li> <li>• Updated Appeal Process language</li> <li>• <b>HCDD Management Approval XX/XX/2026</b></li> <li>• <b>City Council Approval XX/XX/2026</b></li> </ul>

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## Homebuyer Assistance Program Visual Guide



## Introduction

The City of Houston (City) through its Housing and Community Development Department (HCDD) administers the Homebuyer Assistance Program (HAP) to provide financial assistance to eligible First-Time Homebuyers purchasing a newly constructed or existing home within the City. Assistance is provided in the form of a forgivable loan, the HAP Loan, of up to \$75,000 which may be used for eligible costs including down payment, reasonable Closing Costs, principal reduction of the first mortgage, interest rate reduction and other approved prepaids (such as Homeowner's Insurance and property taxes)

The HAP Loan is secured by a Deed of Trust and is subject to a Period of Affordability, during which the First-Time Homebuyer must occupy the Assisted Property as their Principal Residence. If the First-Time Homebuyer fails to comply with program requirements during this period, including, but not limited to, sale, transfer, or non-occupancy of the Assisted Property, a Recapture Event shall be deemed to have occurred and the City may enforce its Recapture provisions, requiring repayment of all or a portion of the HAP Loan in accordance with these Guidelines and applicable federal requirements.

The goal of the HAP is to increase homeownership opportunities for low and moderate-income residents whose income does not exceed 80% of the Area Median Income (AMI), adjusted for Household size, as published annually by HUD, for the incorporated areas of the City.

The HAP is funded through the U.S. Housing & Urban Development Department (HUD) Community Development Block Grant (CDBG) program and local Tax Increment Reinvestment Zone (TIRZ) Affordable Housing Set-Aside funds. These program guidelines provide an overview of the HAP requirements and are intended to assist First-Time Homebuyers, lenders and real estate agents in understanding program eligibility, structure and compliance obligations.

## Purpose and Program Scope

The primary objectives of the HAP are:

- To further the City's housing and community development objectives by facilitating access to homeownership, promoting long-term housing stability, and supporting investment in residential communities.
- To meet the HUD National Objective of benefiting Low- and Moderate-Income (LMI) Households pursuant to **24 CFR 570.208(a)(3)**.
- To expand sustainable homeownership opportunities for eligible **First-Time Homebuyers** through the provision of financial assistance in amounts up to \$75,000.00 to support the purchase of a Principal Residence within the City of Houston.
- The HAP supports eligible real estate transactions by providing gap financing in the form of a forgivable loan, administered in coordination with private mortgage financing, and subject to the terms and conditions set forth in these Guidelines

## Program Administration

The HAP is designed to support private market real estate transactions by providing financial assistance in coordination with institutional mortgage lending. All assistance is subject to underwriting, funding availability and program compliance.

HAP is administered by HCDD in accordance with these guidelines the Single-Family Housing Program Manual, the applicable federal requirements governing CDBG funds and all other applicable federal, state and local laws, regulations and policies. The Director is authorized to assign or adjust the HAP priorities and re-allocate program funds, if in doing so it would better serve the affected communities and their residents.

Overall administration and oversight of the HAP shall be the responsibility of HCDD and includes but is not limited to application intake, eligibility determination, underwriting, funding approval, compliance monitoring and program closeout. HCDD may establish and implement administrative procedures, forms, and processes necessary to carry out the program in a manner that ensures compliance and promotes efficient program delivery.

HCDD will process applications on a first-come, first-serve basis. When funding is limited or unavailable, HCDD will notify all current or prospective First-Time Homebuyers participating in the HAP.

## Eligibility Overview

### Homebuyer Eligibility Requirements:

This section provides an overview of the requirements that must be satisfied for a Household to be determined eligible to receive assistance under the HAP. Detailed eligibility criteria are set forth in the sections that follow.

Eligibility for the HAP is determined by HCDD based on a review of all required documentation submitted by or on behalf of the First-Time Homebuyer and any other adult Household Member, as applicable.

#### A. Legal Status

The First-Time Homebuyer and any Non-Purchasing Spouses must be a United States citizen or lawful permanent resident. Acceptable documentation includes, but is not limited to:

1. A Birth Certificate lawfully issued by a governmental entity in the United States;
2. A valid U.S. Passport or Passport Card;
3. A Certificate of Naturalization; or
4. A Certificate of Citizenship
5. A Permanent Resident Card ("Green Card")

- NOTE: HCDD may electronically verify immigration status through the Systematic Alien Verification for Entitlements (SAVE) Program<sup>1</sup>

## B. Identification

The First-Time Homebuyer, all adult Household Members and a Non-Purchasing Spouse, as applicable, must provide valid unexpired government-issued photo identification. Acceptable documentation includes **but is not limited to:**

- State-issued driver's license
- State-issued ID card
- U.S Military ID card
- Other state or federal photo ID card

**Note:** Adult Household Members who currently reside with the First-Time Homebuyer must provide a valid photo identification reflecting a matching address as the First-Time Homebuyer. For purposes of the HAP, 'Household' includes only those individuals who will occupy the Assisted Property as their principal residence.

## C. First-time Homebuyer Requirement

The First-Time Homebuyer and any Non-Purchasing Spouse must meet the definition of a First-time Homebuyer at the time of application. First-Time Homebuyer must complete the "First-time Homebuyer Status and Certification of Property Ownership" Form

For purposes of determining First-Time Homebuyer status, any Ownership Interest in a principal residence held by a spouse within the applicable three (3)-year period shall be attributed to the First-Time Homebuyer. Accordingly, both the First-Time Homebuyer and their spouse must independently satisfy the First-Time Homebuyer requirement.

If the First-Time Homebuyer holds an Ownership Interest in an inherited residential property, such interest must be relinquished prior to participation in the Program through a quitclaim deed, sale, or other method acceptable to HCDD. In addition, the First-Time Homebuyer and Co-Applicant must not have occupied the inherited property as their principal residence.

## D. Legal Guardianship

Household Members (including the First-Time Homebuyer and any adult Household Member must provide documentation sufficient to establish legal guardianship or parental responsibility for all minor Household Members who will reside at the Assisted Property. Acceptable documentation includes:

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<sup>1</sup> <https://www.uscis.gov/save>

- a. Birth certificate listing the First-Time Homebuyer, and/or a Household Member as the parent.
- b. Court-ordered guardianship documents.
- c. A court order establishing custody or legal guardianship, signed by a judge.
  - i. Adoption or foster care documentation.
  - ii. Acknowledgment of Paternity form or genetic testing results performed by a laboratory accredited by the American Association of Blood Banks (AABB);  
or
  - iii. Court ordered child support documentation.

E. Co-Applicant Requirement

Any Co-Applicant shall be included in the Household composition section of the HAP application.

F. Child Support

All adult Household Members between the age of 18 and 62 years of age must be current on court ordered child support payments or on an approved payment plan in good standing.

- HCDD will request the financial activity statement for the last 12 months for all Household Members and Non-Purchasing Spouse as well as a child support affidavit from the Office of Attorney General (OAG).

G. Marital Status

All adult Household Members must accurately disclose marital status. Individuals representing themselves as divorced or single must provide legally sufficient documentation. Acceptable documentation includes:

1. A final decree of divorce;
2. Court documentation evidencing dissolution of marriage;

H. Housing Counseling Requirement

First-time Homebuyer and any Co-Applicant must complete an 8-hour Homebuyer Education (HBE) course with a HUD approved housing Counseling Agency (<https://www.hud.gov/hud-partners/housing-national-agencies>) before applying to the program and shall be required to submit a valid certificate of completion. First-time Homebuyer is responsible for any costs associated with registering for and completing the HBE course.

I. Mortgage Loan Requirement

First-Time Homebuyer must qualify and obtain a fixed-rate mortgage loan from a participating lender. The term of the loan shall at a minimum be the length of the Period of Affordability.

J. Outstanding Debts

First-Time Homebuyer and any Co-Applicant must resolve any delinquent obligations owed to the federal government, State of Texas or the City of Houston prior to participation in the HAP. Debts may include, but are not limited to, federal or federally insured loan, IRS taxes, student loans, utility payments tied to current or former addresses, or debts owed to the City (such as emergency medical services (EMS) bills or municipal violations) must satisfy those obligations before program participation. Debts may not be paid off at closing.

K. Buyer Contribution and Closing Requirements

First-Time Homebuyer must contribute a minimum cash investment of \$350 toward the purchase transaction. The required contribution may include out-of-pocket costs such as appraisal fees, inspection fees, earnest money or funds paid at closing. First-Time Homebuyers shall not receive cash back at closing.

L. Gift Funds

Gift funds in an amount not to exceed \$20,000.00 may be used toward the purchase of the Assisted Property, subject to program limitations and documentation requirements. A notarized gift letter signed by the donor and First-Time Homebuyer must be submitted to underwriting upon entering into a purchase contract. HCDD may adjust the amount of the HAP Loan based on the availability of gift funds.

M. Non-Purchasing Spouse Requirement

A Non-Purchasing Spouse must execute the information disclosure form(s) and the Deed of Trust but shall not be required to execute the Note securing the HAP Loan. For credit underwriting, all debts and obligations of both the First-Time Homebuyer and the Non-Purchasing Spouse will be included when calculating the First-Time Homebuyer's total debt-to-income ratio for eligibility.

**Ineligible First-Time Homebuyers**

The following individuals are not eligible for participation in the HAP:

- Registered Sex Offenders – Any First-Time Homebuyer, Non-Purchasing Spouse or adult Household Member who is required to register as a registered sex offender.
- Failure to Disclose Required Household Members or Marital Status – Any First-Time Homebuyer Co-Applicant, and/or adult Household Member who fails to disclose a spouse or required Household Member, or who is unable to provide documentation sufficient to establish marital status, Household composition or eligibility as required by HCDD. Please note

the State of Texas does not have legal separation status, estranged spouses must be included on the program application.

- Any First-Time Homebuyer or Co-Applicant who has previously received housing assistance from the City's Buyout Program or any other City program where such participation would result in a duplication of benefits or violate the terms of prior assistance are not eligible HAP Assistance for the HAP.

### **Income Eligibility**

To be eligible for assistance under the total Annual Household Income of First-Time Homebuyer and all adult Household Members must not exceed the applicable income limits established by HUD, as adjusted for Household Size. Income limits are based on HUD's most recent AMI for the Houston-The Woodlands-Sugar Land Metropolitan Statistical Area and are updated annually. HCDD will apply the most current income limits in effect at the time of eligibility determination. Annual Household Income eligibility must be determined and approved by HCDD prior to closing.

### **Determination of Income**

Annual Household Income is calculated in accordance with 24 CFR 5.609 b, as may be amended, and includes:

1. The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.
2. The net income from the operation of a business or profession. The previous year's income tax return (most current) is required. If the income tax return is older than six months, a current-to-date official Profit and Loss statement, prepared by a professional tax preparer (on their official letterhead) may be accepted. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.
3. The full amount of periodic amounts received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount (e.g., Black Lung Sick benefits or Veterans Disability) except for deferred periodic payments as outlined at 24 CFR 5.609(c)(16).
4. Payments in lieu of earnings, such as unemployment, disability compensation, worker's compensation, and severance pay. If a First-Time Homebuyer and/or adult Household Member including Non-Purchasing Spouse are not currently working, then they must complete a **Zero-Income Statement**. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts (in accordance with Part 5 requirements) received from organizations or from persons not residing in the dwelling that

are consistently received from the same source in each of the 3 months.

5. Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (2) above. Any withdrawal of cash or assets from an investment will be included income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets over \$50,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD.

**Annual Income does not include the following, but is not limited to (24 CFR 5.609 c):-**

1. Income from employment of children (including foster children) under the age of 18 years.
2. Payment received from the care of foster children or foster adults.
3. Temporary, nonrecurring, or sporadic income (including one-time gifts)
4. Earnings in excess of \$480 for each full-time student 18 years or older (excluding the head of Household and Spouse).
5. Adoption assistance payments in excess of \$480 per adopted child.

All adult Household Members must provide documentation sufficient to verify income, including but not limited to pay stubs, tax returns, benefit statements, or third-party verification. Documentation must be current (generally within the most recent 90 days), unless otherwise approved by HCDD. HCDD reserves the right to request additional documentation or clarification as needed to verify income.

HCDD shall reverify Annual Household Income if more than six months have passed since the initial income verification was determined in accordance with 24 CFR Part 5. All re-verifications will be subject to the Annual Household Income and AMI requirements set forth in the then current approved program guidelines. HCDD reserves its right to re-examine a First-Time Homebuyer's Annual Household Income at any time prior to commitment of any funds to ensure continued compliance with established income limits.

Where multiple funding sources are used, including CDBG and TIRZ funds, the most restrictive applicable income limit shall apply. All assistance must meet the HUD national objective of benefiting LMI Households. HCDD will update the income limit requirements at a minimum on an annual basis based on HUD's most current income limits threshold publication, and, subject to any limits imposed by City Council, may adjust the maximum AMI threshold. Adjustments to the TIRZ AMI threshold limit must be authorized in writing, signed and dated by the Director or their authorized designee and published in the Single-Family Housing Program Manual.

**Liquid Asset Limit**

To ensure public funds are not being used to supplant a First-Time Homebuyer's available financial resources, total liquid assets of First-Time Homebuyer and all adult Household Members shall not exceed amount not to exceed \$50,000 at the time of eligibility determination and prior to closing. This limit will be published in the Single-Family Housing Program Manual, as may be amended. For purposes of this requirement, liquid assets include assets that are readily convertible to cash,

including but not limited to:

1. Savings accounts;
2. Checking accounts;
3. Certificates of deposits cash equivalents;
4. Stocks;
5. Bonds;
6. Money market instruments;
7. Cryptocurrency; or
8. Any other non-retirement investments or assets that are not tax deferred.

HCDD may grant a waiver to the liquid asset requirement on a case-by-case basis where application of the limit would create an undue hardship or would not further the program objectives. Such circumstances may include but are not limited to: (1) a First-Time Homebuyer within two years of retirement, (2) The First-Time Homebuyer is retired and no longer receiving employment income, (3) The First-Time Homebuyer is permanently disabled or (4) other circumstances in which First-Time Homebuyer demonstrates a reliance on liquid assets to pay for basic living expenses. All waiver determinations must be documented in writing, citing the justification for the waiver and be approved by the Director. . A copy of the approved waiver shall be maintained in the client file. Waiver requirements will be assessed annually and published in the Single-Family Housing Program Manual .

## Application Process

### Applicant Intake Phase

The Application Intake phase will be initiated by the Call Center. First-Time Homebuyer's who have met the preliminary criteria, including completing the Homebuyer Education course and have received a Pre-Approval letter from a lender shall be issued ) a HAP ID number will be issued and directed to the HCDD HAP website to complete a HAP application. First-Time Homebuyer must submit a completed application and all required supporting documentation through the HCDD online portal(preferred method) or alternatively this can also be done by U.S. Mail, in person drop-off, or email ([homebuyersapplication@houstontx.gov](mailto:homebuyersapplication@houstontx.gov)).

First-Time Homebuyer shall have 30 calendar days to submit a complete application and required documentation if an email address is provided; or 45 calendar days if no email address is provided. The application timeframe begins on the date the HAP ID is issued.

If the First-Time Homebuyer fails to submit a complete application and required documentation within the applicable timeframe, the application will be administratively withdrawn from the active applicant pool. Re-entry into the HAP will require submission of a new application.

An application checklist that identifies all document types accepted is available on the [HAP website](#). Upon receipt of a complete application and supporting documentation, the file will be assigned to an Eligibility Specialist within 5 – 7 business days.

### **Application Submitted Phase**

Following submission of an application, First-Time Homebuyer must provide any additional or follow up documentation requested by HCDD within 10 calendar days of the request. Failure to respond or provide the requested documentation within this timeframe may result in the application being deemed incomplete and administratively withdrawn for non-responsiveness.

HCDD will notify the First-Time Homebuyer of the eligibility determination in writing. If approved, the First-Time Homebuyer will receive a Conditional Reservation Letter, which outlines the terms of the reserved HAP Loan assistance. The First-Time Homebuyer is strongly encouraged not to enter into a purchase contract or submit earnest money until a Conditional Reservation Letter has been issued.

**Note:** The intake process can take up to 6-8 weeks, not including any outside factors or unforeseen circumstances.

### **Communication Designee**

First-Time Homebuyer shall have the option to designate an individual inside or outside their Household (family friend, realtor, lender, etc.) as an individual authorized to make inquiries or assist with the completion of the application and supporting documents. The communication designee may not execute any documents on behalf of First-Time Homebuyer unless a Power of Attorney is in place. To exercise this option, First-Time Homebuyer must complete the communication designee form. This form can be provided at any time during the application process.

### **Property Selection**

To complete the Property Selection phase, the **First-Time Homebuyer**, through their lender, must submit all required loan and property-related documentation necessary for underwriting and program review. Required documentation includes, but is not limited to: ):

- Tri-Merged Credit Report (First-Time Homebuyer, Co-Application and Non-Purchasing Spouse)
- Intent to Proceed
- Loan Disclosure Form
- Loan Application Form (1003 Form)
- Property Data Sheet
- Notice to Seller/Buyer
- Transmittal Summary (1008 or 92900 Form)
- Sales Contract
- Seller's Occupancy Form
- Loan Estimate
- Uniform Residential Appraisal Report

- TREC Inspection

Upon receipt of the required documents, HCDD will determine the Property Selection file is complete.

First-Time Homebuyer shall have 90 calendar days from the date of issuance of the “Conditional Reservation Letter” to select and close on an eligible property. The Conditional Reservation Letter will be emailed and/or mailed to First-Time Homebuyer’s and their communication designee, if applicable.

If a First-Time Homebuyer fails to select and close on an Assisted Property within 90 calendar days, the application will be administratively withdrawn. HCDD shall make two attempts via email, mail, or over the phone (the first attempt will be at approximately 30 calendar days and the second at approximately 60 calendar days) to advise First-Time Homebuyer of the timeframe remaining before a file is administratively withdrawn.

HCDD may grant an extension of up to 30 calendar days, upon written request, where additional time to select and close on an Assisted Property is necessary to complete the transaction. Extensions will be granted on a case-by-case basis and the cumulative time extended by extensions shall not exceed a total of 60 additional calendar days. First-Time Homebuyer’s request for additional time to select and close on an Assisted Property must be submitted five (5) calendar days prior to the expiration date on the Conditional Reservation Letter.

### **In-Eligible/Denials**

A denial occurs when HCDD determines that a First-Time Homebuyer does not meet one or more eligibility requirements of the HAP based on a completed application and supporting documentation.

A First-Time Homebuyer may be denied for reasons, including but not limited to:

- Failure to meet income eligibility requirements
- Failure to satisfy the First-Time Homebuyer requirement
- Inability to obtain an eligible first mortgage loan
- Failure to meet program underwriting or property requirements
- Duplication of Benefits or participation in a conflicting assisted program; or
- Submission of incomplete, inaccurate or unverifiable information that prevents HCDD from making an eligibility determination.

HCDD will provide written notice of denial to the First-Time Homebuyer, including the basis for the determination. A First-Time Homebuyer whose application has been denied may reapply to the HAP after a minimum period of one hundred eighty (180) calendar days, unless otherwise approved by HCDD or unless program requirements change

## **Fraud, Waste and Abuse**

The HAP is subject to, and will follow, HCDD's Policy #21-10, Fraud, Waste, and Abuse.

The City will provide fraud, waste, and abuse training to program staff. If fraud, waste or abuse allegations are sustained, then the First-Time Homebuyer will face a 5-year waiting period before being able to reapply for any City programs. Any potential fraud, waste, and abuse detected by staff must be reported to the Allegations Coordinator or directly to the Office of Inspector General. The Allegations Coordinator can be reached via email at [housingfraud@houstontx.gov](mailto:housingfraud@houstontx.gov) or directly to the Office of Inspector General at:

### **City of Houston Office of Inspector General**

900 Bagby Street, 4<sup>th</sup> Floor  
Houston, Texas 77002; or  
P.O. Box 368  
Houston, Texas 77001-0368  
832-394-5100

### **HUD OIG Field Office**

1301 Fannin Street, Room 2200  
Houston, Texas 77002  
1-800-347-3735

***Warning: "Any person who knowingly makes a false claim or statement to HUD may be subject to civil or criminal penalties under 18 U.S.C. 287, 1001 and 31 U.S.C. 3729"***

## **Assisted Property Eligibility Requirements**

**To be eligible for assistance under the HAP the Assisted Property must meet the following requirements, as determined by HCDD:**

### **A. Property Types**

The Assisted Property must be a residential dwelling that will serve as the First-Time Homebuyer's Principal Residence. Property types may include a single-family property (1 unit), condominium unit, townhouse, cooperative unit and/or manufactured housing units that are permanently affixed to a foundation in accordance with applicable law.

### **B. Property Location**

The Assisted Property must be located within the incorporated areas of the City of Houston or within areas served by the City and subject to City property taxes. The determination on whether a property is located inside of the mentioned area can be searched in the [City of Houston City Limits Address Verification \(arcgis.com\)](https://arcgis.com). HCDD Geographic Information System (GIS) section to confirm that the location is eligible. Additional geographical

restrictions may apply should TIRZ funds be utilized.

### **C. Property Appraisal**

The purchase price of the Assisted Property shall not exceed the appraised value, as determined by a licensed appraiser. HCDD may review appraisal documentation to ensure the cost is reasonable and consistent with program requirements.

### **D. Minimum Property Standards**

The property selected by the applicant(s) through the HAP, regardless of the funding source, must have a recent Texas Real Estate Commission (TREC) inspection. TREC inspections that are completed while the property is under construction will not be accepted by the Program. The HCDD Single Family inspector will evaluate the TREC inspection report. If deficiencies are present, the inspector will advise which deficiencies must be addressed. The inspector will also ensure that the unit is free from defects and is decent, safe, and sanitary.

HCDD requires an internal inspection of all units receiving assistance before closing, a qualified City inspector and/or an agent working on behalf of the City will inspect the property to determine whether the property meets the latest HCDD Minimum Construction Standards for Rehabilitation, Reconstruction and New Construction for Single Family Residences, as amended.

A maximum of three property inspections will be conducted. If the home does not meet the minimum requirements after the third inspection, the buyer must select a new property. If repairs are identified, they must be completed within 10 calendar days. If additional time is required, the request must be in writing and approved by program management.

HCDD will complete a HUD Environmental Review on the property (see Section F below) prior to the commitment of funds by HCDD.

### **E. 100-Year and 500-Year Floodplain**

If the property is located in a 100-year Floodplain/Special Flood Hazard Area (SFHA), the property must either have been built in compliance with the City of Houston Chapter 19 Ordinance<sup>2</sup> (as amended) or have a National Flood Insurance Program (NFIP) Elevation Certificate demonstrating compliance with the City of Houston's Floodplain management ordinances<sup>3</sup>The elevation certificate will be required from the homebuyer to be eligible for HAP Assistance.

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<sup>2</sup> [https://library.municode.com/tx/houston/codes/code\\_of\\_ordinances?nodeId=COOR\\_CH19FL\\_ARTIINGE\\_S19-1STPU](https://library.municode.com/tx/houston/codes/code_of_ordinances?nodeId=COOR_CH19FL_ARTIINGE_S19-1STPU)

<sup>3</sup> Additional information can be found at the Houston Permitting Center's website. Elevation Certificates must be deemed acceptable by the Houston Permitting Ctr. prior to transfer of ownership.

First-Time Homebuyer's must obtain and provide The National Flood Insurance Program (NFIP) elevation certificate to HCDD.

HCDD will obtain a letter from the City of Houston's Floodplain Management Office, stating:

1. The Assisted Property has been reviewed for compliance by its office and
2. Presents no substantial damage project holds or substantial damage determination associations, according to Chapter 19 Code of Ordinance (as amended). Both the NFIP elevation certificate and the letter from the City of Houston's Floodplain Management Office will serve as acceptable documentation to confirm that a property's Floodplain compliance requirement is met for the HAP.

Properties located in a 500-year Floodplain are eligible for assistance, flood insurance is recommended but not required to provide additional documentation, except where necessary to document requirements of Chapter 19 governing the Houston Special Flood Hazard Area (HSFHA), which covers the 500-year Floodplain in addition to the 100-year Floodplain/SFHA.

If the Assisted Property is located in the 100-year Floodplain, flood insurance must be secured prior to closing, evidenced by the declaration page or insurance binder, with an effective coverage date no later than 30 days after closing. In order for the Assisted Property to be considered for future federal assistance, flood insurance must remain in effect throughout the affordability period. Failure to maintain flood insurance may result in the denial of future federal disaster assistance should another event occur.

In the event of any sale or transfer of the Assisted Property, the First-Time Homebuyer must provide written notice to the subsequent purchaser, prior to transfer of ownership, that the Assisted Property is located in a Special Flood Hazard Area and that flood insurance coverage is required. Such notice shall be included in the transfer documents to ensure the subsequent purchaser is informed of and acknowledges this requirement.

#### **F. Flood Insurance**

The Flood Disaster Protection Act of 1973 (42 U.S.C. 4012a) requires that projects receiving federal assistance and located in an area identified by the Federal Emergency Management Agency (FEMA) as being within a Special Flood Hazard Areas (SFHA) be covered by flood insurance under the National Flood Insurance Program (NFIP). In order to be able to purchase flood insurance, the community must be participating in the NFIP. If the community is not participating in the NFIP, federal assistance cannot be used in those areas.

The amount of flood insurance coverage must be at least equal to the total project cost, or the maximum coverage limit available under the National Flood Insurance Program (NFIP), whichever is less. HUD or the Responsible Entity (RE) may require additional flood insurance coverage beyond these minimum standards when deemed necessary to mitigate financial risk.

## **G. Lead-Based Paint**

All pre-1978 built properties acquired through the HAP must meet all applicable federal standards ([24 CFR Part 35](#)) for lead-based paint as outlined in the HCDD MCS for Rehabilitation, Reconstruction and New Construction for Single Family Residences, as amended. If the home is built pre-1978, the seller is required to disclose this information to the homebuyer on the Seller's Disclosure form. HCDD requires the homebuyer to read "Protect our Family from Lead in Your Home" pamphlet and sign an Acknowledgement of Lead Based Paint form.

## **H. Environmental Review**

In accordance with HUD's regulations for implementing the National Environmental Policy Act at 24 CFR Part 58, HCDD must perform and complete Environmental Reviews of proposed programs, projects, and activities that will utilize CDBG funds, located within the incorporated areas of the City of Houston. A HUD Environmental Review will be performed on the property by HCDD prior to commitment of federal and/or local funding (24 CFR Part 58).

**Note:** *Under normal circumstances, homebuyer-assisted properties are typically categorically excluded and are not subject to 24 CFR 58.5 environmental clearance. However, under 24 CFR 58.2(a)(3), extraordinary circumstances may require an environmental assessment or an environmental impact statement. Therefore, if testing is needed to achieve the required level of environmental clearance, the HCDD department reserves the right to refuse assistance if insufficient funds are available to cover these additional costs. Testing requirements are based on potential findings of environmental concerns and compliance with HUD Part 58 regulatory requirements including properties located in or near an Environmental Protection Agency (EPA) testing zone. The City will always side with caution.*

## **I. Occupancy**

All activities funded under the HAP must comply with applicable federal relocation requirements, including the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA) and Section 104(d) of the Housing and Community Development Act of 1974, as applicable. To minimize the risk of displacement and the application of relocation requirements, properties assisted under HAP must not be tenant-occupied at the time of contract or closing.

An Assisted Property will be considered ineligible if it is currently occupied by a tenant or if occupancy by a tenant would trigger relocation assistance obligations under applicable law. The seller must certify the occupancy status of the Assisted Property through a Seller's Occupancy Certificate, confirming whether the Assisted Property is vacant or owner-occupied. HCDD may require additional documentation to verify occupancy status.

To ensure compliance, the First-Time Homebuyer and/or lender is strongly encouraged to obtain a completed Seller's Occupancy Certificate prior to execution of a purchase contract. All required occupancy certification forms must be submitted to HCDD as part of the property approval process.

## HAP Loan Terms of Assistance

### A. Eligible Uses of the HAP Assistance

CDBG and TIRZ funding made available under the HAP shall be used to assist income eligible First-Time Homebuyers in acquiring an existing or a newly constructed residential property. HAP Assistance shall be limited to the minimum amount necessary to make the Assisted Property affordable and may be used for the following eligible costs: (1) up to 50% of the required down payment (2) reasonable Closing Costs and (3) principal reduction of the First Mortgage loan (4) mortgage interest rate buy-downs, if applicable; and (5) pre-paid items including Homeowner's Insurance, property taxes, and similar costs). All uses of HAP Assistance must be necessary, reasonable, and consistent with applicable federal, state, and local requirements, as determined by HCDD

### B. Ineligible Uses of the HAP Assistance

The HAP Assistance may not be used for (1) payment of real estate agent commissions or fees; (2) payment of delinquent property taxes or other outstanding municipal charges; (3) payment of fees, penalties or charges attributable to the seller, including costs required to cure title defects or satisfy seller obligations; (4) payment any existing debts of the First-Time Homebuyer at closing, and (5) First-Time Homebuyer may not receive any cash back at closing.

HCDD may determine additional ineligible uses as necessary to ensure compliance with applicable federal, state, and local requirements

## Period of Affordability, Occupancy and Recapture

HAP Assistance provided under the HAP is structured as a 0% interest, forgivable loan called the HAP Loan, which is extended to First-Time Homebuyer. The HAP Loan is provided at closing and is secured by a junior lien against the Assisted Property and does not require monthly payments. The HAP Loan is forgiven on a pro rata basis over the applicable Period of Affordability as set forth in the chart below, provided the First-Time Homebuyer complies with all program requirements, including the Principal Residence requirement. The remaining unforgiven balance of the HAP Loan shall become subject to Recapture if, during the Period of Affordability.

- the Assisted Property is sold, transferred, or otherwise conveyed, whether voluntarily or involuntarily (including foreclosure or deed in lieu of foreclosure);
- the First-Time Homebuyer ceases to occupy the Assisted Property as their Principal Residence;
- the Assisted Property is rented or leased;
- the First-Time Homebuyer obtains a cash-out refinance, home equity loan, or other unauthorized lien; or

- the First-Time Homebuyer otherwise defaults under the HAP Loan documents.

At closing, the First-Time Homebuyer shall execute HAP Loan Documents, including a Deferred Payment Loan Note and Second Lien Deed of Trust, which shall be recorded in the real property records of the appropriate county.

Forgiveness is earned annually, and no credit is given for partial years. The remaining unforgiven balance on the Deferred Payment Loan Note at the time a First-Time Homebuyer sells, transfers, or otherwise conveys, whether voluntarily or involuntarily (including foreclosure or deed in lieu of foreclosure) the Assisted Property or the First-Time Homebuyer ceases to occupy the Assisted Property as their principal residence; the Assisted Property is rented or leased; the First-Time Homebuyer obtains a cash-out refinance, home equity loan, or other unauthorized lien against the Assisted Property; or the First-Time Homebuyer otherwise defaults under the terms of the HAP Loan documents shall be the amount that is subject to Recapture by the City.

### ***Principal Residence Requirement***

First-Time Homebuyers must occupy the Assisted Property as their Principal Residence for the entire Period of Affordability, beginning on the date of closing. The Assisted Property may not be rented, leased, used as a secondary residence or investment property, used for any non-residential purposes or vacated for extended periods inconsistent with Principal Residence use during the Period of Affordability. HCDD may require periodic certifications or other documentation to verify continued occupancy.

### ***Refinance by Sr. Lender and Subordination Agreements***

The HAP Loan will be subordinate to the First-Time Homebuyer's First Mortgage Loan.

Refinancing of the first mortgage may be permitted with prior written approval from HCDD, provided that (1) no cash-out proceeds are received by the First-Time Homebuyer (unless expressly approved); (2) the First-Time Homebuyer remains in compliance with all program requirements; and (3) the refinancing does not increase risk to the City.

First-Time Homebuyer may submit a Subordination Agreement Request with HCDD to subordinate HCDD's mortgage lien.

### ***Period of Affordability***

The Period of Affordability refers to the required number of years the First-Time Homebuyer must occupy the Assisted Property as their Principal Residence. The Period of Affordability is determined by the amount of the HAP Loan provided to First-Time Homebuyer as depicted the chart below.

<b>Period of Affordability</b>	<b>Annual Loan Forgiveness Rate per Year</b>
5 Years (with a lien) for assistance up to \$50,000 (with a lien)(with a lien)	< 1 Year – 0%
	Year 1 – 20%
	Year 2 – 40%
	Year 3 – 60%
	Year 4 – 80%
8 Years for assistance between \$50,000.01 and \$75,000 (with a lien)	Year 5 – 100%
	< 1 Year – 0%
	Year 1- 12.5%
	Year 2- 25%
	Year 3 – 37.5%
	Year 4 - 50%
	Year 5 – 62.5%
	Year 6 – 75%
Year 7 – 87.5%	
Year 8 – 100%	

During the Period of Affordability, the First-Time Homebuyer is responsible for maintaining compliance with all program requirements. This includes occupying the Assisted Property as their Principal Residence, maintaining the property in good condition in accordance with applicable standards, and maintaining all required insurance coverage, including Homeowner’s Insurance and, if applicable, Flood Insurance. The First-Time Homebuyer must also promptly notify HCDD of any changes in circumstances that may affect eligibility or compliance with program requirements. Upon completion of the Period of Affordability and satisfaction of all program requirements, the HAP Loan shall be deemed fully forgiven. HCDD will execute and record all necessary documents to release the lien securing the HAP Loan and will provide written confirmation of such release to the First-Time Homebuyer.

## Recapture

The unforgiven portion of the HAP Loan shall become immediately due and payable if, at any time during the Period of Affordability, a Recapture Event occurs. Recapture Events include if the Assisted Property is sold, transferred, or otherwise conveyed, whether voluntarily or involuntarily (including foreclosure or deed in lieu of foreclosure); the First-Time Homebuyer ceases to occupy the Assisted Property as their Principal Residence; the Assisted Property is rented or leased; the First-Time Homebuyer obtains a cash-out refinance, home equity loan, or other unauthorized lien against the Assisted Property; or the First-Time Homebuyer otherwise defaults under the terms of the HAP Loan documents. Upon the occurrence of any such event, the amount due shall be the unforgiven portion of the HAP Loan, calculated on a pro rata basis according to the number of full years completed during the Period of Affordability. Repayment of the HAP Loan shall be limited to the net proceeds available from the sale or transfer of the Assisted Property, as determined by HCDD. If the net proceeds are insufficient to repay the full amount owed, repayment shall be limited to the available net proceeds, and no deficiency shall be required.

### ***Payoff Statement***

When a First-Time Homebuyer voluntarily elects to pay off the HAP Loan or is required to repay the HAP Loan in accordance with the terms and conditions of the HAP Loan Closing Documents, a Payoff Statement itemizing the repayment amount owed to HCDD will be issued to First-Time Homebuyer and any other necessary parties.

Once repayment is complete, the First-Time Homebuyer shall submit to the HCDD Single Family Loan Servicing Section a Release of Lien for execution by the City.

## Underwriting and Subsidy Layering

The underwriting requirement was established to ensure that federal resources are neither duplicated nor wasted when applied to Affordable Housing and to ensure that both short and long-term financial sustainability of Households receiving assistance is achieved. Reasonable and customary costs, as defined by HCDD, will be analyzed to ensure compliance with CDBG regulations.

The HAP will maintain written procedures with consistent processes for evaluating the short and long-term financial sustainability of transactions assisted with CDBG funds. These procedures will include at a minimum:

### **A. Maximum Subsidy Limit**

To ensure public funds support the short and long-term financial sustainability of assisted Households, HCDD will establish a Maximum Subsidy Amount that is based on program eligibility requirements for First-Time Homebuyers 80% of AMI as published by HUD, as well as current housing market conditions, including home prices, prevailing interest rates and associated costs such as property tax rates, Homeowner Insurance and mortgage insurance.

The Maximum Subsidy Amount will be published on the HAP website at least annually, or at

the discretion of the Director when market conditions render current maximum subsidy amounts inaccurate.

The current Maximum Subsidy Amount is up to \$75,000 based on the financial need of the First-Time Homebuyer. An internal Subsidy Layering Analysis (SLA) will be prepared to determine the appropriate HAP Assistance necessary to support affordability without exceeding what is required to complete the transaction. The SLA will be based on information received:

- During the HAP eligibility process (Annual Household Income and Household Size)
- From the lender, including:
  - Loan Estimate
  - Uniform Underwriting and Transmittal Summary (interest rate, sales price, monthly principal and interest); and
  - Loan Disclosure (lender required down payment amount) This amount will reflect the minimum down payment percentage for the specified loan type (FHA, Conventional, VA, etc.)

The subsidy amount will be allocated in this order:

1. To subsize interest rate by at least 2 to 3 points, depending on current market conditions;
2. To provide one-half of the required down payment;
3. To provide a principal reduction of the First Mortgage Loan amount at Closing; and
4. To cover reasonable and customary Closing Costs, including eligible pre-paid costs.

The allocation of the HAP Assistance may be adjusted on a case-by-case basis based on the specific financial needs of the First Time Homebuyer with the approval HCD. All HAP required ratios must still be met.

HCDD will provide a grant allocation form to the Lender for proper disbursement of the HAP Assistance, which will outline the required affordability terms (loan amount, mortgage payment, etc.). The final Closing Disclosure must clearly indicate how HAP Assistance is applied to be used according to HCDD's requirements. Failure to apply HCDD's funding accordingly may result in the delay of Closing and/or the inability to utilize HAP Assistance.

## **B. Debt-to-Income Ratio for Underwriting of File**

To ensure affordability is achieved, First-Time Homebuyer, must meet the following debt to income requirements: a Front-End Ratio not to exceed 33%, and a Back-End Ratio not to exceed 45%.

The Front-End Ratio is determined by dividing the proposed monthly mortgage payment by First Time Homebuyer's gross monthly Household income and multiplying by 100. The monthly mortgage payment includes principal, interest, mortgage insurance, property taxes, Homeowners Insurance, flood insurance (if applicable), and association dues.

The Back-End Ratio is determined by adding all recurring monthly obligations (including mortgage payment, student loans, alimony, child support, car payments, credit cards and other debts) and dividing that total by the First Time Homebuyer's gross monthly Household income, then multiplying by 100.

If First-Time Homebuyer's Front-End Ratio exceeds 33%, HCD will notify the Lender, realtor, and First-Time Homebuyer. The Lender, on behalf of the First-Time Homebuyer, may pursue one or more of the following options to achieve compliance, including but not limited to:

- 1) Reduce the Purchase Price of the home;
- 2) Reduce the interest rate;
- 3) Adjust the escrow amount; and/or
- 4) Provide documentation verifying the most recent 12-24-months of rental payment history, with payments equal to or greater than the amount of the proposed mortgage payment. If this option is utilized, a Front-End Ratio of up to 38% may be considered by program management on a case-by-case basis.

If the First-Time Homebuyer's Back-end Ratio exceeds 45%, HCDD shall notify the Lender, realtor, and First-Time Homebuyer. First-Time Homebuyer may reduce the Back-End Ratio by paying down debt prior to Closing. Proof of the pay-off must be provided before HAP Assistance is approved for Closing. Additional HAP Assistance from the HAP will not be provided to reduce the Back-End Ratio.

Derogatory utility accounts listed on First-Time Homebuyer or Non-Purchasing Spouse's credit report must be paid prior to closing. A supplemental credit report must be provided to confirm that such accounts have been satisfied.

Compensating factors, such as increased down payment amount and accumulated savings, favorable credit history, demonstrated ability to pay housing costs equal or greater than or equal than the proposed mortgage payment for the past 12-24 months, may support approval of a higher Front-End Ratio. In such cases, each file will be reviewed by the program manager, and a written justification will be maintained in the file.<sup>4</sup>

### **C. First Mortgage Terms**

To ensure homebuyers receiving HAP Assistance are not subject to predatory or unfair lending practices, the Single Family Housing Program Manual shall include a written policy, reviewed and updated at least annually, that describes the eligible types of first mortgage

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<sup>4</sup> HUD Chapter 4, Section F - General Information on Borrower Qualifying

financing that may be combined with the HAP Assistance and outlines the maximum allowable Closing Costs that may be charged to First-Time Homebuyer. At a minimum, this shall address the maximum allowable interest rate based on current market conditions, acceptable loan-to-value ratios, and permitted mortgage loan types. First-Time Homebuyer must obtain a fixed-rate mortgage. Adjustable rate mortgages and seller financed mortgages are not permitted under the HAP.

#### **D. Maximum Closing Costs**

Reasonable Closing Costs shall not exceed 6% of the Purchase Price. This limit includes pre-paid items such as Homeowner's Insurance, property taxes and other eligible pre-paid expenses.

***Exception:** Closing Costs may exceed 6% of the Purchase Price when necessary for First-Time Homebuyer to pay discount points to reduce the mortgage interest rate.*

#### ***Program Income***

Any program income earned as a result of program-funded activities will be subject to the rules outlined in 24 CFR 570. To the maximum extent feasible, HUD requires that program income shall be used or distributed before additional withdrawals from the U.S. Treasury are made in accordance with HUD requirements. The HAP does not anticipate generating program income.

### **Regulatory Considerations**

This program will be designed and implemented in compliance with cross-cutting federal regulations when applicable, including:

#### ***Americans with Disabilities Act (ADA)***

The Americans with Disabilities Act of 1990 (ADA) prohibits discrimination and ensures equal opportunity for persons with disabilities in employment, state, and local government services, public accommodations, commercial facilities, and transportation. It also mandates the use of telecommunications devices for the deaf (TDD) relay services. HCDD takes affirmative steps to ensure that people with disabilities have equal access to the programs and services offered by HCDD. Any services offered by HCDD are delivered in the most integrated manner possible with services for persons without disabilities. HCDD's obligation to comply with ADA requirements extends to all stakeholders, including sub-recipients, vendors, contractors and developers.

Anyone who believe they may have been discriminated against can file a complaint with the U.S. Department of Housing and Urban Development at the following link:

[https://www.hud.gov/program\\_offices/fair\\_housing\\_equal\\_opp/online-complaint](https://www.hud.gov/program_offices/fair_housing_equal_opp/online-complaint).

### ***Housing Discrimination***

No person shall be excluded from participation in, denied the benefit of, or subjected to discrimination in any housing program or activity because of age, race, color, creed, religion, familial status, national origin, sexual orientation, military status, sex, Disability, or marital status. Anyone who believes they have been discriminated against may contact:

U.S. Department of Housing & Urban Development

Housing

Discrimination inquiries and/or complaints

800-669-9777 (Voice)

1-800-927-9275 (TTY)

Texas Workforce Commission

Civil Rights Division

1-888-452-4778 (Voice)

1-800-735-2989 (TTY)

### ***Limited English Proficiency***

In accordance with Executive Order 13166, HCDD and all satellite offices, programs, subrecipients, contractors, subcontractors, and/or developers receiving CDBG funds must ensure fair and meaningful access to programs and services for families and individuals with Limited English Proficiency (LEP) and/or persons who have hearing impairments.

HCDD ensures fair access through the implementation of a Language Assistance Plan (LAP), which includes non-English-based outreach, translation services of vital documents, free language assistance services, and staff training. Refer to the "Language Assistance Plan" Provision of Language Assistance Services for additional guidance and protocols.

### ***Environmental Review Procedures***

All federally funded activities must undergo an environmental review in accordance with 24 CFR § 58 prior to the commitment of funds. HCDD will conduct an environmental review in accordance with its Environmental Review Procedure (HCDD Procedure #21-16 Environmental Review SOP).

### ***Insurance Coverage***

In accordance with 2 CFR § 200.310, HCDD and any subrecipients must maintain insurance coverage for real property and equipment acquired or improved with federal funds that is consistent with the coverage maintained for property owned by the entity.

To the extent applicable, property assisted with federal funds must be used for its intended purpose, properly maintained, and managed in accordance with 2 CFR § 200.311 and program requirements.

HCDD may require additional insurance or risk mitigation measures, as appropriate, based on the nature of the activity or assistance provided.

### ***Residential Anti-Displacement***

The HAP does not plan to administer activities that will result in the direct or indirect displacement of persons or entities.

### ***Federal Labor Standards***

The HAP is designed to offer eligible First-Time Homebuyers financial assistance to purchase a home and does not trigger Davis Bacon and Related Acts labor standards requirements.

### ***Lead Based Paint Poisoning Prevention in Certain Residential Structures***

The Lead Based Paint Prevention in Residential Structures provision require the seller or lessor of target housing to disclose to the purchaser or lessee the presence of any known lead-based paint and/or lead based paint hazards and requires the City to establish procedures to eliminate as far as practicable the hazards of the lead-based paint poisoning with respect to any existing housing receiving federal assistance. HCDD will comply with this requirement as outlined in the HCDD Lead Based Hazard Control Procedures #07-001.

### ***Uniform Relocation Act and Real Property Acquisition***

The acquisition of real property using CDBG federal funds, as administered by HCDD, is subject to the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (Uniform Act or URA) and/or Section 104(d) of the Housing and Community Development Act of 1974. The applicable federal regulations are located at 49 C.F.R. Part 24 (URA), 24 C.F.R. part 42, Section 104(d) of the Housing and Community Development Act (42 U.S.C. § 5304(d) , and in the Tenant Assistance, Relocation and Real Property Acquisition Handbook (HUD Handbook 1378).

The HAP will not provide HAP Assistance for tenant occupied properties. In the event First-Time Homebuyer selects tenant occupied property, the property will be deemed ineligible, and the First-Time Homebuyer shall be required to select an alternative property. A Seller's Occupancy Certificate must be provided prior to Closing to confirm occupancy status.

### ***Record Keeping, Retention and File Management***

HCDD will maintain records in accordance with 2 CFR 200 and 24 C.F.R. 570.502. Records will be retained for a minimum of four (4) years after grant closeout and must be sufficient to demonstrate compliance with all applicable requirements.

### **Reporting**

HCDD will comply with reporting requirements under 24 CFR 570.503(b)(2) and 2 CFR Part 200 including reporting at:

- At execution of agreements;
- Monthly;
- Quarterly;
- Annually; and
- As otherwise required.

### **Record Retention**

Record retention is a requirement of the program. Records are maintained to document compliance with program requirements and federal, state, and local regulations and to facilitate a review or audit by HUD. The HCDD Records Management Program seeks to ensure that:

- HCDD complies with all requirements concerning records and records management practices under federal and state regulations;
- HCDD has the records it needs to support and enhance ongoing business and citizen service, meet accountability requirements, and community expectations;
- These records are managed efficiently and can be easily accessed and used for as long as they are required.
- Up-to-date, comprehensive files (which begin with application and eligibility and ending with program closure) should be maintained
- CDBG records are maintained for a minimum period of 4 years from the date of the grant closeout, 24 CFR 570.502.

These records are stored as cost-effectively as possible and when no longer required they are disposed of in a timely and efficient manner based on HUD Handbook 2225.6, Records Disposition Schedules and HUD Handbook 2228.2.

### **Access to Records (Federal – City)**

In accordance with 24 CFR 570.490 Recordkeeping requirements and [2 CFR § 200, Subpart D](#), HCDD will maintain records and provide access as required for monitoring, audit and compliance purposes. Representatives of HUD, the HUD Office of Inspector General (OIG), and the U.S. Government Accountability Office (GAO) shall have access to all books, accounts, records, reports, files, and other documents, or property related to the administration, receipt and use of CDBG funds and necessary to facilitate such reviews and audits.

The availability of records is subject to the exceptions to public disclosure set forth in section 87(2) of the Public Officers Law. All Freedom of Information Law (FOIL) requests under the Public Officers

Law must be made in writing to the Records Access Officer and will be processed in accordance with the procedures set forth therein.

### ***Audit Requirements***

This Program is subject to audit at the federal and local level. The U.S. Department of Housing and Urban Development (HUD), HUD's Office of Inspector General, the U.S. Government Accountability Office (GAO), and the City of Houston's Finance Department (typically via a contracted third party) all have the authority to audit this Program. All auditors are independent of HCDD and report either to their respective authorities at the federal level or to the Mayor of Houston.

In accordance with Subpart F of 2 CFR 200, non-federal entities that expend \$750,000 or more during their fiscal year in federal awards must have a single or program-specific audit conducted for that year. HCDD is responsible for conducting reviews of these single or program-specific audit reports and for coordinating the issuance of management decisions for audit findings relating to HCDD-provided federal funds.

### ***Confidentiality/Privacy***

The HAP is committed to protecting the privacy of all individual stakeholders, including the public and those individuals working on the program. The program's policies describe how information is to be handled and protected. The purpose of this privacy policy is to establish when and under what conditions certain information relating to individuals may be disclosed.

The data collected from all First-Time Homebuyers for the HAP may contain personal information on individuals that is covered by the Federal Privacy Act of 1974, as well as applicable state laws. These laws provide for confidentiality and restrict the disclosure of confidential and personal information. Unauthorized disclosure of such personal information may result in personal liability with civil and criminal penalties. The information collected may only be used for limited official purposes:

- Program staff may use personal information throughout the award process to ensure compliance with program requirements, reduce errors, and mitigate fraud and abuse.
- Independent auditors, when hired by the City to perform a financial or programmatic audit of the program, may use personal information in determining program compliance with all applicable HUD and federal regulations, including the Stafford Act, CDBG requirements and State and local law.
- HCDD may disclose personal information on a First-Time Homebuyer to those with official Power of Attorney for the First-Time Homebuyer or for whom the First-Time Homebuyer has provided written consent to do so.

Per HCDD Personally Identifiable Policy #01-0411, HCDD is committed to protecting the privacy of all individual stakeholders, including the public and those individuals working on the Program. The HCDD policies describe how information is to be handled and protected. The purpose of this privacy

policy is to establish when and under what conditions certain information relating to individuals may be disclosed.

### ***Conflicts of Interest***

HCDD will follow the federal Conflict of Interest provisions in addition to the guidance provided in the City of Houston's Administrative Policy 2-22 ([A.P. 2-22](#)): Conflict of Interest that establishes the policy for how conflict of interest will be handled and the HCDD #01-40 Non-Procurement Conflict of Interest Policy that outlines the process for waivers.

Program participants must complete and sign a Conflict of Interest Disclosure before funds are expended. This disclosure requires program participants to disclose, under penalty of perjury, their immediate family members or business partner(s) currently employed by the City of Houston or were employed by the City within the past year.

**Note:** "Immediate family members" means and includes (whether by blood, marriage, or adoption) the spouse, parent (including stepparent), child (including a stepchild), sibling (including a stepsibling), aunt/uncle, niece/nephew, grandparent, grandchild, great-grandparent, great-grandchild, and in-laws with same titles.

The Conflict-of-Interest provisions at [2 CFR § 200.318\(c\)](#) require HCDD staff to disclose any relationship with a First-Time Homebuyer or contractor. Program staff, sub-grantees, program administrators, and contractors who disclose such relationships are placed in roles where there is no opportunity for them to display favoritism or collude to financially or otherwise benefit themselves, the First-Time Homebuyer, or the contractor. For example, a customer representative may not perform work on the application of family.

HCDD may consider requesting an exception to the conflict of interest provisions per 24 CFR 570.611 if HCDD has determined that the subrecipient, vendor, or contractor has adequately and publicly addressed all the concerns generated by the conflict of interest and that an exception would serve to further the purposes of Title I of the Housing and Community Development Act of 1974, as amended and the subrecipient has complied with the requirements listed in 24 CFR 570.489(h)(4)(i) and (ii). Upon request, HUD considers whether the exception provides a significant cost benefit or essential degree of expertise; whether the person affected is an LMI person, whether the affected person has withdrawn from their functions or responsibilities; whether the interest or benefit was present before the affected person was in a position to benefit from the conflict of interest; or whether undue hardship results from failure to grant the exception.

## Closeout, Monitoring and Reporting Procedure

### **Closeout Requirements**

Upon completion of a home purchase assisted with the HAP Assistance and receipt and review of the required post-closing documents, the HAP will then submit the file for monitoring. Annually, the homebuyers will need to certify their ownership status with HCDD's internal loan servicing division, ensuring compliance with program terms and conditions. Required documentation may include, but not be limited to, Homeowner's Insurance policy, current utility bills, tax assessment notices, etc.

### **Flood Compliance Monitoring**

- An annual review will be conducted for compliance requirements of flood insurance (as applicable), homeowners and hazard insurance during the length of the Period of Affordability.

**Note:** Future assistance **may not be available** if required insurance is not maintained.

- If the First-Time Homebuyer dies and there is a time remaining during the Period of Affordability, the beneficiary(ies) must provide proof of ownership of the Assisted Property. The beneficiary(ies) must continue to comply with the Principal Residence requirements throughout the Period of Affordability under the Guidelines, or beneficiary(ies) may repay the HAP Loan using the Loan Forgiveness Rate per Year. The Director of HCDD may waive these requirements on a case-by-case basis, upon written request from the beneficiary(ies).

### **Reporting Requirements**

Demographic information will be captured through the entire process of collecting data from the First-Time Homebuyer and Household Members. The data collected will allow HCDD to perform an analysis on the characteristics of the population we serve. This will allow us to better understand how to market and strategically plan for the future.

HCDD will capture and report the following:

- Head of Household's race and ethnicity
- All Household Members' marital status and gender
- All Household Member's disability and veteran status
- Annual Household income at the time of eligibility
- Annual Household income as a percentage of AMI at the time of eligibility, as defined by HUD

## Financial Management

The City of Houston, as a CDBG recipient, is required to follow the financial administration requirements outlined in [2 CFR Part 200](#). These standards help ensure that the financial systems put in place by the City:

- Provide adequate, current, and complete disclosure of the financial results (regular financial reporting) of all financially assisted activities, according to the financial reporting requirements of the grant;
- Document funds used only for authorized purposes (For CDBG, this includes not only eligible activities but that the funded projects meet a National Objective);
- Maintain accounting records that show the sources and uses of funds, displaying funds authorized, obligated and unobligated balances, assets, liabilities, outlays, or expenditures and income;
- Establish effective internal controls over all cash, real and personal property, and other assets acquired with program funds;
- Track actual program cost against program budget in a manner that relates to program productivity and accomplishments;
- Use Uniform Administrative Requirements outlined in 2 CFR 200 principles to determine whether program costs are reasonable, allowable, and can be allocated, either directly or indirectly;
- Maintain source documentation for accounting records;
- Implement procedures for cash management that permit timely disbursement to First-Time Homebuyers and subrecipients and complete accurate monitoring and reporting;
- Comply with 2 CFR 200 Subpart F; and
- Conduct single or program-specific audits in accordance with the applicable federal requirements. Vendors and contractors employed by the City will be required to comply with the audit requirements as applicable.

## Complaints

HCDD welcomes feedback and complaints from any member of the public. Complaints are accepted over the telephone or in writing (by letter or via email). Complaints will be responded to in writing within 15 business days, as practicable.

City of Houston Housing and Community Development Department  
ATTN: Complaints and Appeals  
2100 Travis Street, 9th Floor  
Houston, TX 77002  
Phone: 832-394-6200 ext. 8

Email: [hccddcomplaintsappeal@houstontx.gov](mailto:hccddcomplaintsappeal@houstontx.gov)

Business Hours: Monday – Friday, 8:00 AM – 5:00 PM

For further information, please refer to the HCDD Complaints website, <https://houstontx.gov/housing/complaints.html>.

## Appeals

All program First-Time Homebuyers have the right to appeal a determination made by HCDD. First-Time Homebuyers have the right to appeal decisions made on their program file based on the following reasons:

- Denied services through any of HCDD's programs
- Program eligibility determination

**Note:** *An appeal related to eligibility determination is based on information, documentation, and requirements at the time the file was worked by the Program staff.*

- Program award calculation
- Procedural error where the application was not processed by program staff in accordance with the program guidelines
- Procedural error where the First-Time Homebuyer submitted incomplete or incorrect information.

Appeal requests are accepted in writing via email at [HCDDComplaintsAppeal@houstontx.gov](mailto:HCDDComplaintsAppeal@houstontx.gov), mailed or delivered letter, online Appeal Request form, or using the paper form at the HCDD office.

Appeal Requests must be submitted within 30 calendar days of the notice of determination. To be considered complete, an appeal request must contain the following information:

- First and Last Name
- Property Address
- Mailing Address (if different from Property Address)
- Phone Number
- Application number (if applicable)
- Email Address
- Reason(s) for Appeal (consistent with the reasons listed above)
- A specific explanation of the reason(s) disagreeing with the decision
- Supporting documentation (if any)

### Appeals Review

Tier 1 Appeals are the initial determination appeals, in which the program area will review all documentation submitted and either reiterate the initial determination or approve your appeal and overturn the determination. Appeals will be responded to in writing within 30 calendar days.

When a program First-Time Homebuyer does not agree with the decision made in the initial appeal, program First-Time Homebuyers have the right to request a Tier 2 Appeal. If the request is approved, the Appeals Review Committee (ARC) will review all documentation and the supporting documents you send to support your appeal and make a final decision.

The appellant may only escalate the appeal after the completion of the initial program area process. The ARC will process the escalated appeal within 30 days, as practicable. The ARC will transmit its decision to the appellant in writing.

**Note:** The appellant may only escalate an appeal after completing the preceding Appeal. Additionally, the reason for the Tier 2 appeal must be for the same reason for the Tier 1 Appeal. HCDD will keep a record of each appeal received and include all communications and their resolutions. For more information regarding HCDD's Appeal Process, please visit <https://houstontx.gov/housing/appeals.html>.

### **Contact Information**

#### **HCDD Physical and Mailing Address**

Housing and Community Development Department  
2100 Travis St., 9th Floor  
Houston, TX 77002  
Attn: Complaints and Appeals

#### **HCDD Email Address**

[HCDDComplaintsAppeals@houstontx.gov](mailto:HCDDComplaintsAppeals@houstontx.gov)

#### **HCDD Appeal Form**

<https://houstontx.gov/housing/forms/online/appeals-request-form.html>

#### **HCDD Business Hours**

Monday - Friday  
8:00 AM to 5:00 PM

#### **HCDD Phone Number**

Main: 832-394-6200 extension 8  
Hotline: 832-394-6388

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## Definitions

**Annual Household Income:** The anticipated gross income from all sources (monetary or not) received by all adult family members, plus unearned income to or on behalf of minor family members, during the 12-month period following eligibility determination, calculated in accordance with 24 CFR Part 5.609.

**Appraisal:** An estimate of a home's market value based on comparable recent sales in the home's immediate area or neighborhood, conducted by a professional appraiser, licensed through the Texas Real Estate Commission.

**Area Median Income (AMI):** The median family income for the Houston area, as determined and published annually by HUD, adjusted for Household Size, and used to establish income eligibility thresholds for the HAP.

**Assisted Property:** The residential property to be purchased by the First-Time Homebuyer using HAP Assistance. The property must be complete, ready for occupancy at the time of closing, and meet all applicable program and property standards.

**Back-End Ratio (Debt to Income Ratio or DTI):** The percentage of a First-Time Homebuyer's gross monthly Household that is used to pay recurring monthly debt obligations. This ratio is calculated by dividing the total monthly debt payments including the mortgage payment (principal, interest, taxes and insurance), credit card payments and other loan obligations by gross monthly Household income, and multiply by 100.

**Closing:** The date on which all documents necessary to complete the purchase of the Assisted Property are executed and funds are disbursed, including the First Mortgage Loan and the HAP Loan.

**Co-Applicant:** An individual who applies jointly with the First-Time Homebuyer for HAP assistance and is included in the mortgage loan and underwriting process. A Co-Applicant's income, assets, and liabilities are considered in determining program eligibility and affordability.

**Community Development Block Grant (CDBG):** An entitlement grant fund administered by the Department of Housing and Urban Development (HUD) to local agencies and municipalities to develop and enforce fair, affordable, safe and sanitary housing.

**Closing Costs:** Reasonable and customary costs incurred in connection with the purchase of real property, necessary to complete the transaction and transfer ownership. Closing costs may include lender fees, title and escrow charges, recording fees, prepaid expenses (such as property taxes and homeowner's insurance), and other allowable costs as reflected on the Loan Estimate and Closing Disclosure.

**Closing Disclosure:** The standardized loan document provided to First-Time Homebuyer prior to Closing that details the final terms of the mortgage loan, including loan costs, projected monthly payments and all Closing Costs associated with the transaction. The Closing Disclosure replaces final Truth-in-Lending Disclosure and HUD-1 Settlement Statement.

**Counseling Agency:** Either a public or private nonprofit organization (i) established as a HUD-approved provider of homebuyer education courses for at least one year in the geographical area in which it provides services, (ii) are knowledgeable concerning the local housing market and (iii) have met the regulations found at 24 CFR Part 214 to obtain HUD approval.

**Deferred Payment Loan Note:** The written agreement executed by the First-Time Homebuyer evidencing the obligation to repay the HAP Loan under the terms and conditions established by HCDD.

**Director:** The HCDD Director or designee appointed by the Director to perform specified duties in his/her absence.

**Family:** Per 24 CFR §5.403, family includes, but not limited to, the following, regardless of actual or perceived sexual orientation, gender identity, or marital status:

1. A single person, who may be an elderly person, displaced person, disabled person, near-elderly person, or any other single person; or
2. A group of persons residing together, and such group includes, but is not limited to:
  - a. A family with or without children (a child who is temporarily away from home due to placement in foster care is considered a member of the family);
  - b. An elderly family;
  - c. A near elderly family;
  - d. A disabled family;
  - e. A displaced family; and
  - f. The remaining member of a tenant family.

**First Mortgage Loan:** The primary loan originated by a Lender to a First-Time Homebuyer for the purchase of the Assisted Property, which is secured by a first lien on the property and has priority over all subordinate financing, including the HAP Loan.

**First-Time Homebuyer:** An individual or individuals applying for and receiving assistance under the HAP who meet HUD's definition of a First-Time Homebuyer. The term includes any Co-Applicant and, where applicable, a Non-Purchasing Spouse, whose income, assets, and obligations are considered for eligibility and underwriting purposes. HUD's definition of a First-Time Homebuyer is as follows:

1. an individual who has not had an Ownership Interest in a Principal Residence during the three (3) year period ending on the date of purchase of the property.
2. Has only owned a dwelling that was not permanently affixed to a permanent foundation in accordance with applicable law; or
3. Has only owned a property that was not in compliance with applicable state, local, or model building codes and could not be brought into compliance for less than the cost of constructing

a permanent structure.

For purposes of this definition, any Ownership Interest held by a spouse is attributed to the First-Time Homebuyer.

**Floodplain:** A geographic zone subject to varying levels of flood risk.

1. "100-year Floodplain" — the geographical area defined by FEMA as having a 1% chance of being inundated by a flooding event in any given year. This is also known as a Special Flood Hazard Area (SFHA).
2. "500-year Floodplain" — the geographic area defined by FEMA as having a 0.2% chance of being inundated by a flooding event in any given year. The Houston Special Flood Hazard Areas (HSFHA) include both 100- and 500-year Floodplains under Chapter 19 of the City's Code of Ordinances.

**Flood Insurance:** The Flood Disaster Act of 1973 (42 U.S.C. 4012a) requires that projects receiving federal assistance and located in an area identified by FEMA as being within a Special Flood Hazard Area (SFHA) be covered by flood insurance under the National Flood Insurance Program (NFIP). In order to be able to purchase flood insurance, the community must be participating in the NFIP. If the community is not participating in the NFIP, federal assistance cannot be used in those areas.

**Front-End Ratio:** A standard that measures used to evaluate the affordability of a mortgage determined by dividing the proposed mortgage payment which includes principal, interest, taxes, Homeowner(s) Insurance and mortgage insurance, also known as PITI, divided by the gross monthly income.

**Guidelines:** The policies and procedures set forth in this document, as may be amended from time to time by HCDD, governing the administration of the Homebuyer Assistance Program (HAP).

**HAP Assistance:** Financial assistance provided by HCDD to an eligible First-Time Homebuyer in connection with the purchase of an Assisted Property. HAP Assistance may be applied toward eligible costs, including down payment, closing costs, interest rate reduction, and/or principal reduction, as determined through program underwriting and Subsidy Layering Analysis (SLA). HAP Assistance is provided through the HAP Loan.

**HAP Loan:** A deferred, forgivable loan to support the purchase of an eligible property. Repayment of the HAP Loan is not required unless a Recapture Event occurs, as defined by program requirements, during the applicable Period of Affordability.

**HAP Loan Closing Documents:** The legal documents executed at closing to evidence and secure the HAP Loan, including, but not limited to, the Second Lien Deed of Trust, Deferred Payment Loan Note, Homebuyer Assistance Program Deferred Payment Loan Statement of Terms and Conditions, and Affidavit of First-Time Homebuyer(s) (including a Statement of Total Family Income, in forms approved by the City Attorney and HUD.

**Homebuyer Assistance Program:** The program administered by HCDD that provides financial assistance to eligible First-Time Homebuyers to support the purchase of an Assisted Property, in

accordance with these Guidelines.

**Homeowners Insurance:** A form of property insurance that covers casualty losses and damages to an individual's house and contents in the home. Also provides liability coverage against accidents in the home or on the property.

**Household:** All persons who will occupy the Assisted Property as their principal residence, regardless of whether they are parties to the First Mortgage Loan. Household composition shall be determined in accordance with applicable HUD requirements, including the definition of "family" at 24 CFR Part 5, as applicable.

**Household Member:** Any individual who will occupy the Assisted Property as their principal residence as part of the Household.

**Household Size:** The total number of persons who will occupy the Assisted Property, including the First-Time Homebuyer, Non-Purchasing Spouse (if applicable), and any other Household Members.

**HUD:** The U.S. Department of Housing and Urban Development.

**Lender:** A financial institution approved by HCDD that originates and services the first mortgage loan for the First-Time Homebuyer in connection with the purchase of the Assisted Property.

**Liquid Asset:** An asset that can be converted into cash in a short time, with little or no loss in value. Liquid assets include items such as (1) cash; (2) demand deposits; (3) time and savings deposits; and (4) investments (i.e. most stocks, cryptocurrency, money market instruments and government bonds not eligible for tax deferral).

**Loan Estimate:** The standardized document provided by a Lender to a First-Time Homebuyer after application for a mortgage loan, which outlines the estimated loan terms, including interest rate, monthly payment, and total closing costs.

**Low-Moderate Income (LMI):** A person/Household whose Annual Household Income does not exceed 80% of the Area Median Income, as adjusted for Household Size, as published annually by HUD.

**Market Value:** The most probable price that a property would bring in a competitive and open market under conditions requisite to a fair sale, as determined by an appraisal obtained by the Lender.

**Maximum Subsidy Limits:** The maximum amount of HAP Assistance that may be provided to a First-Time Homebuyer, including amounts applied toward down payment, closing costs, interest rate reduction, and principal reduction of the First Mortgage Loan.

**Non-Purchasing Spouse:** The spouse of a First-Time Homebuyer who does not apply for or become obligated under the First Mortgage Loan, but whose income, assets, or liabilities may be considered for program eligibility and underwriting, and who may be required to execute certain closing documents to acknowledge or waive legal rights in the Assisted Property.

**Notice to Seller:** The written notice provided to the seller in accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA), informing the seller that the property is Homebuyer Assistance Program (HAP) Page 41 of 44

being acquired voluntarily, without the use of eminent domain, and outlining their rights under applicable federal regulations.

**Ownership Interest:** Any of the following interests in residential property: fee simple interest; joint tenancy; tenancy in common; interest of a tenant-shareholder in a cooperative; life estate; interest held in trust for the First-Time Homebuyer that would constitute a present Ownership Interest if held by the First-Time Homebuyer.

**Period of Affordability (Also referred to as the Affordability Period):** The period of time during which the First-Time Homebuyer is required to own and occupy the Assisted Property as his/her Principal Residence as determined by the amount of HAP Assistance provided.

**Principal Residence:** The primary dwelling occupied by the First-Time Homebuyer as their permanent residence.

**Principal Residence Requirement:** The First-Time Homebuyer is required to occupy the Assisted Property as their sole and Principal Residence for the full duration of the Period of Affordability. The First-Time Homebuyer must occupy the Assisted Property continuously (full-time and year-round) and may not convert the property to a rental, investment, or vacation property at any time during the Period of Affordability.

**Purchase Price:** The agreed-upon sales price of the Assisted Property as stated in the executed purchase contract, excluding closing costs and financing fees.

**Recapture:** The requirement that all or a portion of the HAP Loan be repaid to HCDD upon the occurrence of a Recapture Event during the applicable affordability period, in accordance with program requirements.

**Recapture Event:** The sale, transfer, or conveyance of the Assisted Property, or the failure of the First-Time Homebuyer to occupy the Assisted Property as their Principal Residence during the Period of Affordability, which triggers repayment of all or a portion of the HAP Loan in accordance with program requirements.

**Second Lien Deed of Trust:** The document that secures the HAP Loan by creating a lien against the Assisted Property, subordinate to the First Mortgage Loan, which remains in effect until the HAP Loan is repaid, forgiven, or otherwise satisfied in accordance with program requirements

**Subordination Agreement:** A legal document arising when there are two existing mortgages on the same property, a first and a second mortgage, and the mortgagor intends to refinance the first mortgage.

**Subsidy Layering Analysis:** The process used by HCDD to evaluate all sources of financing in a transaction to determine the minimum amount of HAP Assistance necessary to achieve affordability without providing excess subsidy.

**Tax Increment Reinvestment Zone (TIRZ):** A geographic area designated by City Council in which increases in property tax revenues (tax increment) are captured and reinvested to fund public improvements and eligible projects within the zone.

**Temporarily Absent Family Member:** A child who is temporarily separated from such Household

due to placement in foster care.

**Tenant:** An individual who occupies land or property rented from a landlord.

**TIRZ Affordable Housing Set-Aside:** The portion of tax increment revenues allocated by a TIRZ for the purpose of supporting affordable housing activities, including funding for programs administered by HCDD.

**Zero-Income Statement:** A statement whereby adult Household Member(s) declare and are subject to perjury that he/she has zero income.

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