

Portland Housing Bureau Homeownership Assistance Program Guidelines

PURPOSE

The Portland Housing Bureau (PHB) provides Homeownership Assistance that creates affordable homeownership opportunities for low-income homebuyers.

DESCRIPTION

Homeownership Assistance through PHB is available for the acquisition and rehabilitation or new construction of affordable homeownership units that will be occupied by low-income first-time homeowners. PHB awards Homeownership Assistance dollars to community organizations and eligible homebuyers must access these resources through those partners. Homeownership Assistance is intended to support homebuyers in purchasing homes in partnership with first mortgage lenders.

Eligible Use of Funds

Homeownership Assistance must contribute to either the acquisition and rehabilitation or new construction of an affordable homeownership unit that will be occupied by an Eligible Homebuyer.

1. **New Construction**

Homeownership Assistance may be used for the development of a single-family home, including town homes and condominiums that will be occupied by an Eligible Homebuyer.

2. **Acquisition and Rehab**

Homeownership Assistance may be used for the acquisition of an existing single-family home by individual households or partner organizations, including town homes and condominiums. These funds can be used for acquisition or down payment costs. Under this use, for properties utilizing Tax Increment Financing (TIF), a minimum of ~~20%~~ **10%** of total Homeownership Assistance provided must be utilized as a grant for Eligible Home Improvement activities within six (6) months of closing. This requirement does not apply to other funding sources.

• **Eligible Home Improvement Guidelines (TIF Funds Requirement)**

- Home Improvement funds must be completely disbursed within six (6) months of closing or entire amount of Homebuyer Assistance must be repaid to PHB.
- Eligible Improvements are updates or improvements which attach to the permanent structure including, but not limited to:
 - Roofs, Living Areas, Structural improvements, Auxiliary Buildings on the property; items that are permanently fixed to the property.
- A PHB construction coordinator will be assigned to approve proposed scope of work, track any required permit work, and approve disbursement requests for home improvement expenses.

Eligible Homebuyer

All Homeownership Assistance must result in a home that is occupied by an Eligible Homebuyer:

- When homeownership assistance is being used for the development or acquisition of a 2 bedroom or smaller home or is provided by using Community Development Block Grant (CDBG) funds, total household gross income, including any non-occupying co-owners, cannot exceed 80% of the HUD MFI adjusted for household size.
- When homeownership assistance is being used for the development or acquisition of a 3 bedroom or larger home, and not being provided using CDBG funds, total household gross income, including any non-occupying co-owners, cannot exceed 100% of the HUD MFI adjusted for household size.
- Owner must occupy the subject property as their primary principal residence for the entire term of Homeownership Assistance.
- Must be a first-time homebuyer, defined as not having owned a home within three years.
- Borrower must attend a homebuyer education workshop provided by a HUD Certified Home Buyer Counseling Program.
- Must obtain a first mortgage that conforms to PHB requirements for first mortgage lending.
- Homebuyer's combined liquid assets (cash and equivalent, stocks, bonds and bank deposit; excludes retirement accounts) after closing cannot exceed \$10,000.
- Homebuyer(s) must have \$500 of their own funds or gift funds invested into the purchase. Excludes Inspections, Appraisal(s), and other items Paid Outside Of Closing.
- Must meet PHB's minimum credit standards and policies.

Homeownership Assistance Affordability Requirements

Affordability Requirements can be satisfied in the following two ways:

1. Retention

When Homeownership Assistance is structured to create permanent homeownership affordability for a minimum of 60 years, the long-term investment will be provided in the form of a grant to the Eligible Homebuyer. Ongoing affordability will be ensured in the form of an affordable housing covenant that is recorded on title.

2. Recapture

When Homeownership Assistance is not structured to create permanent homeownership affordability, the long-term investment will be provided in the form of a loan to the Eligible Homebuyer. The terms of the loan are as follows:

Interest Rate:	0% annual interest, deferred payment
Loan Term:	30 years
Forgiveness:	Portland Housing Bureau will forgive 50% of the original loan amount on the 15 th anniversary of the original loan note. 3% of the original loan amount will be forgiven annually on the anniversary date of the

original loan note, starting year 16 and continuing until year 29. At the end of year 30, any remaining balance will be forgiven.

Loan Repayment:

Repayment of the loan, or any remaining loan balance, is due upon sale or transfer of the property, or when the borrower no longer maintains the property as owner occupied within the 30-year term of the loan. The amount of the loan to be repaid depends on time of occupancy, as described above.

Security Mechanism:

Deed of Trust in second lien position

Fees:

Per PHB Fee Schedule

Property Value Determination

- PHB reviews residential appraisal ordered by 1st mortgage lender
- Maximum 100% combined loan to value based upon the lesser of the a) purchase price or b) appraised value at time of sale.

Assumption and Subordinations:

- With PHB approval, homeownership Assistance may be assumed by an immediate family member in the case of death or transferred an eligible, qualified buyer.
- PHB may subordinate to future refinancing and equity loans so long as the outstanding balance on PHB's loan does not exceed 100% loan to value. Current value to be determined by using the current Tax Assessor's Fair Market Value or an appraisal acceptable to PHB.

Title

- Clear title with ability to obtain ALTA title insurance protection against loss connected with ownership, encumbrances, and improvements of the property

Property Taxes & Insurance

- Property taxes must be current at closing and first mortgage must include an escrow account to collect and pay property taxes.
- Homeowners insurance must be paid for one year in advance and first mortgage must include an escrow account to collect and pay insurance premiums.
- Homeowners insurance must list the City of Portland as second mortgagee.
- Flood Hazard insurance required if in a 100-year flood plain

Homebuyer Education

- Borrower must attend a homebuyer education workshop provided by a US Department of Housing and Urban Development (HUD) Certified Home Buyer Counseling Program. PHB will provide a list of resources that may be used to satisfy this requirement.