



## Homebuyer's Assistance Program (HAP) Program Guidelines

### **PROGRAM OBJECTIVE**

To provide affordable homeownership opportunities to low to moderate income families within the City of Fort Worth.

### **ASSISTANCE AVAILABLE**

The Homebuyer's Assistance Program (HAP) offers assistance to the first time homebuyer with down payment and closing costs for homes purchased within the city of Fort Worth.

### **REPORTING**

By signing the HAP application the applicant is aware their name and property address will be reported in a U.S. Government information system aka Integrated Disbursement & Information System (IDIS) provided by the U.S. Department of Housing and Urban Development.

### **PROCESSING TIME, COMMITMENT TERMS AND ADDITIONAL REQUIREMENTS**

Each submission package will be logged and tracked. The processing time will be thirty (30) days from the date of our commitment of funds. A conditional commitment will be issued once the applicant has been qualified. This commitment will be valid for sixty (60) days from the date of issuance on existing construction and ninety (90) days for new construction. New construction requires special treatment for first time homebuyers. The applicant cannot initiate the interim construction loan, as it will appear as a mortgage loan on the credit report. This may disqualify the applicant from meeting the program criteria.

The City of Fort Worth reserves the right to interview all applicants face to face. In this interview, all household members over the age of 18 must be present and able to sign an income certification form and will sign all disclosures at that time.

The City of Fort Worth reserves the right to deny assistance. A denial letter will be mailed or emailed to both the lender and the buyer.

After the initial commitment, Minimum Acceptance Standards (MAS) inspections will be ordered and require seven (7) days to be completed. Upon completion, the seller, realtor, purchaser or other parties responsible may need to complete necessary repairs to satisfy inspection requirements. The property standards inspection is not a residential real estate inspection for the benefit of the buyer. The buyer is required to get a home property inspection if applying for assistance.

Funds will be ordered after *all conditions* to the commitment have been met.

Closing instructions will be sent to the title company once funds, Minimum Acceptable Standards (MAS) inspection, environmental review, COFW borrower disclosures, and all conditions have been received.

### **INSPECTIONS**

Federal law requires the property being purchased be inspected for compliance with applicable city building and quality standards, including an environmental review and the model energy code as adopted by the city. The buyer is required to get a home property inspection at their cost.

**CLOSING COST ASSISTANCE (CCA)** – Maximum amount available is up to 3% of the loan amount. The closing Costs Assistance can be requested for the applicant(s) to pay the following expenses:

Origination Fee (*Not to exceed 1% origination and 1% discount*)

*\*No more than 2% total\**

Processing Fee

Upfront MIP/PMI

Appraisal

Mortgage Title Policy

Attorney Fees

Recording Fees

Termite Inspection

Survey

Credit Report

Pre-paid Interest (*Not to exceed 30 days*)

Pre-paid Insurance (*First Year*)

Items not mentioned above or in excess of the allotted City subsidy may be paid from seller proceeds or the buyer's own funds. The above-mentioned items are the only items in which the City may contribute.

**DEFERRED PAYMENT LOAN (DPL)** – An eligible homebuyer may qualify for assistance based on the tier system. The affordability period will be five (5) years if the amount of assistance is \$14,999 or below and ten (10) years if the amount is over \$14,999. The amount of assistance will depend on the sales price and the loan amount (gap)

Area Median Income	Assistance Allowed
0-50%	Up To \$20,000
51-80%	\$14,999

**APPLICANT ELIGIBILITY**

To qualify, the applicants must be first-time homebuyers or cannot have owned a home in the last three years. Displaced homemakers may be eligible, on the basis that he/she previously owned a home with the former spouse, but no longer reside in that residence. A copy of the divorce decree must be provided and show the spouse has been displaced.

All eligible applicants will be qualified according to HUD guidelines for housing assistance. HUD guidelines require that verification of dependents be included in the determination of eligibility.

Applicant(s) must be either a citizen of the United States or a permanent resident of the U.S. Participation in the program by City of Fort Worth employees requires disclosure by the applicant and written acknowledgment of the disclosure by the Department.

A Loan Service Representative shall determine eligibility of an applicant for closing cost/down payment assistance based on the above guidelines, including income eligibility. The amount of assistance will depend on the family size and income of the applicant(s). Such determination must be reviewed and signed by a Department Supervisor, Program Manager, Assistant Director or Director. Each applicant receiving HAP subsidy is required to sign a **Buyer’s Notification** and **HAP Agreement for HOME Assistance** before closing.

**RESERVES**

Borrowers are required to have a minimum of the equivalent of two months of mortgage payments which include principal, interest, taxes, and insurance in cash reserves following the purchase of the home.

**INCOME OUALIFICATIONS**

Household income must be at or below 80% of HUD area median income adjusted for household size. HOME income limits change from time to time (usually the beginning of the year. The Neighborhood Services Department will provide this information as it changes and are updated on the City’s website at [www.fortworthtexas.gov/neighborhoods/hap](http://www.fortworthtexas.gov/neighborhoods/hap))

Household size will be verified by dependent verification in the form of IRS 1040 tax returns, recent birth certificates, legal adoption certifications, court ordered guardianships and divorce decrees or documentation of separation. All applicants must provide documentation of **receipt or non-receipt of child support**. Documentation of receipt or non-receipt of child support may be obtained from the local child support office. Written verification of employment (VOE's), copies of pay stubs and other written documentations are necessary to satisfy the requirements of HUD in all income verifications. The documentation required for self-employed borrowers are the last two years tax returns, along with a current P&L and bank statements for two months.

The income and debts of non-purchasing spouse will be considered to determine eligibility. All household members (over 18 years of age) living in the same household will be considered when calculating income. A statement of FICA earnings from the Social Security Office will be required for all individuals 18 years or older reporting no income. A co-signer's income will be included when determining eligibility and must live in the home.

#### **ASSETS**

Interest earned on interest bearing accounts totaling \$5,000.00 or more will be included in the determination of income for the household. If the interest income is not disclosed, it will be calculated at a rate of .06% per annum. Bank statements for the past six months including checking, savings, money market or other non-retirement accounts are needed. (Deferred assets such as pensions, 401Ks, etc. are not included)

#### **DOWN PAYMENT**

A minimum down payment of at least \$1,000 or 2% of the purchase price whichever is less, must come from the applicants' own resources. Any out of pocket closing expenses (POC-B) paid by the applicant will be credited to the applicant's down payment requirement.

#### **QUALIFYING RATIOS**

The monthly housing payment (PITI- principal, interests, taxes, and insurance) must be no less than 10% and no greater than 32% of the gross monthly household income.

Combined housing and debt ratios (i.e. back end ratio) cannot exceed 43% of the borrower's gross monthly income. If the borrowers' credit score is at or above 620, the housing ratio (front end) may be extended to 35% and the housing and debt ratio (back end) may be extended to 45%.

**All housing ratios must include tax and insurance escrows.** No loan will be approved without tax and insurance escrows. **The Homebuyer's Assistance Program requires that all escrowed property taxes must be calculated on an improved property value.**

To determine the reasonable amount of property taxes to escrow, the lender or Title Company may go to [www.tarrantcounty.com](http://www.tarrantcounty.com) and use the property tax estimator feature.

*The Department's Loan Processing staff will calculate qualifying ratios according to HUD Income Calculation Guidelines set forth for the program.*

### **ELIGIBLE LOAN TERMS**

- Thirty (30) year fixed term
- Interest rate not to exceed 2% above the conventional mortgage rate stated by the Federal Reserve at the time of application. ([www.federalreserve.gov](http://www.federalreserve.gov))
- CLTV not to exceed 105% on 1<sup>st</sup> lien and DPL
- The buyer must be approved through an approved lender and FICO score requirements are at the lender's discretion.

### **TERMS OF AFFORDABILITY AND RECAPTURE PROVISION**

The loan evidenced by the Note is a deferred forgivable loan. The first **\$14,999.00** of the Principal Amount will be forgiven on the fifth anniversary date of the Note. The remaining Principal Amount will be forgiven **20%** on each of the sixth through the ninth anniversary dates of the Note. The remaining **20%** of the Principal Amount will be forgiven on the Maturity Date provided that Borrower is not in default of any of the provisions of the Note or this Deed of Trust securing it.

The Note is a deferred payment loan. Payback of the Principal Amount will only be required if any of the following conditions occur:

- a. The Property is sold, transferred, leased, rented, abandoned, foreclosed or ceases to be occupied by Grantor as Grantor's principal residence for five or ten years from the date of the Note and Deed of Trust (the "Affordability Period"). This provision shall not apply to (i) a subordinate lien or encumbrance that does not transfer rights of occupancy of the Property; (ii) creation of a purchase-money security interest for household appliances; (iii) transfer to Grantor's spouse as a result of a divorce, property settlement agreement or legal separation, or a transfer between co-Grantors so long as the transferee spouse or co-Grantor continues to occupy the Property as his or her principal residence and meets such other Home Program guidelines as required by Lender in its sole discretion; and (iv) transfer by devise, descent or operation of law on the death of Grantor to Grantor's surviving spouse, descendants or a relative so long as the surviving spouse, descendants or relative continue to occupy the Property as their principal residence and meet such other Home Program guidelines as required by Lender in its sole discretion.
- b. The Prior Lien note is paid in full according to its terms during the Affordability Period.
- c. The Prior Lien note is refinanced in whole or in part or is assumed by a new borrower without the consent of Lender during the Affordability Period.

- d. Default in the terms of the Prior Lien note or the deed of trust that secures it during the Affordability Period.
- e. Default in the terms of the Note or this Deed of Trust.
- f. After five or ten years and one day from the date of the Note, the Note shall be forgiven provided that Borrower is not in default of any of the provisions of the Note or this Deed of Trust.
- g. If Grantor sells the Property or if the holder of the Prior Lien note forecloses upon the Property during the Affordability Period, the Principal Amount of the Note shall be repaid from Net Proceeds. Net Proceeds of a sale, whether voluntary or involuntary, are defined as the sales price of the Property minus loan repayment (other than HOME Program funds) and any closing costs, or as otherwise defined in the HOME Program regulations.

HOME regulations require a minimum subsidy amount of \$1,000.00. The City of Fort Worth will not participate in an application utilizing less than \$1,000.00 of HAP funds. Under no circumstances shall the DPL or CCA lien be less than \$1,000.00.

**HOMEOWNERSHIP TRAINING AND COUNSELING PROGRAM**

All applicants must complete a homeownership training and counseling program. This requirement will be evidenced by a completion certification from a Housing and Urban Development (HUD) Certified Housing Counseling Agency only. The following agencies are currently approved by HUD:

Housing Opportunities of Fort Worth 1065 W. Magnolia, Ste B Fort Worth, TX 76104 817-923-9192	Housing Channel 4200 S Frwy, Ste 307 Fort Worth, TX 76115 817-924-5091
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Note: hours, fees and courses may vary according to each agency. Framework is an approved online training course. Fees may apply.

**ELIGIBLE PROPERTY**

Property that is considered eligible to receive homebuyer’s assistance must meet the following criteria:

- Property must be located in the city limits of Fort Worth.
- Property located in an area identified by the Federal Emergency Management Agency (FEMA) as a special flood hazard area, must carry flood insurance for the life of the loan. Proof of insurance is required prior to funding.
- Property cannot be located in an airport clear zone or on a toxic waste site, unless a waiver is signed by the borrower.
- Property may be an existing housing unit or new construction provided the slab is complete.
- Property can be a short sale

- Property must be a single-family unit. (i.e. house, duplex, condo, townhouse)
- Government–owned property is not eligible for assistance.
- HOME regulation 24 CFR Section 92.254 (a) (2) (iii) require that the sales price not exceed 95% of the area median sales price. As of April 1, 2020 for existing homes the sales price must not exceed \$205,000 and for new construction the sales price must not exceed \$238,000.

Depending on the property, the property must meet Minimum Acceptable Standards (MAS) inspection and an Environmental Review (ER) as defined by the U.S. Department of Housing and Urban Development (HUD) and/or the local building codes applicable to the property. A Real Estate Inspection (TREC) is required on all properties submitted for City assistance. The property, if new construction must be in compliance with energy code/energy program (2015IECC and Energy Star) An inspector from the Housing Department of the City of Fort Worth will be provided at no cost to the buyer. All utilities must be on and all necessary repairs must be made before funds can be released. The inspection will be ordered after the applicant has been qualified. This may take up to seven (7) business days.

#### **HAP VERBIAGE REQUIREMENT**

HAP verbiage must be on the contract special provisions and be noted as “Buyer to obtain assistance from the City of Fort Worth Homebuyer Assistance Program for Down Payment and Closing Costs”.

#### **ELIGIBLE LENDERS AND LENDER REQUIREMENTS**

Lenders must be approved by the City of Fort Worth. If the lender is currently not approved; they may request a lender application by calling 817-392-7395. Once the required documentation is received it takes approximately 5-7 business for approval. All lender’s must submit a closed and funded file at least once every six months to remain on the list for the year.

All Lenders must collect for tax and insurance escrows. **No loan will be approved without tax and insurance escrows.**

The lender must provide all requested documentation listed in the submission package section of the HAP application to the Housing and Neighborhood Services Department. **Application must be submitted no later than 30 days prior to closing.** The City is not obligated to accept any application that does not contain all required information.

Acceptance of applications for the Homebuyer’s Assistance Program depends on the availability of funds. Only approved lenders and or brokers (capable of closing transactions in their own name) may submit applications requesting funds on behalf of the homebuyer.

The lender's submission packages must include the following in order to process the subsidy request:

1. Original Application (signed by all parties)
2. Lender commitment
3. Loan Estimate Form
4. Letter of Assignment (mortgage brokers only)
5. Approval from lender funding the loan (mortgage brokers only)
6. Broker Agreement with participating lender (mortgage brokers only)
7. \*Homeownership Training Certificate
8. Credit Report for borrower and non-purchasing spouse if applicable
9. Written VOE (*all parties*).
10. **Last 60 days pay stubs** (*all parties*).
11. **Statement of FICA Earnings**(*all individuals 18 years or older reporting no income*)
12. **Last 3 years 1040's signed or a certified copy from the IRS.**
13. **4506-T form**
14. Child Support Receipt or Non-Receipt
15. HUD Income Certification Form
16. **Last 6 months** bank statements (*all assets*) to include explanations for all deposits.
17. Copy of drivers' license (*all applicants*)
18. Copy of social security card (*all applicants*)
19. Notice to Seller, **must be signed, dated and include the sales price.**
20. Purchase contract (*signed by all parties and escrowed*; under special provisions the HAP verbiage must contain as follows:  
(Borrower to receive assistance from the City of Fort Worth for Down Payment and Closing Costs)
21. Lead based paint addendum (1978 and prior)
22. COFW Conflict of interest disclosure
23. \*Hazard Insurance and Tax Certifications
24. \*Appraisal (*may be faxed*)
25. \*Survey (*may be faxed*)
26. \*Termite certificate –Existing Construction (*may be faxed*)
27. \*Real Estate Inspection (TREC)
28. \*Warranty of Completion of Construction (Only required for New Homes)

**(\* May be provided after City commitment, but prior to closing.**

A copy of the Closing Disclosure should be provided prior to closing to ensure the amounts of funds provided are listed correctly. The requirement to file liens must be included in the closing instructions to the title company. In addition, all warranty deeds must contain the subordination clause that follows:

*“GRANTOR and GRANTEE also acknowledge the retention of a second, subordinate and separate vendor's lien, and GRANTOR hereby transfers the same to CITY OF FORT WORTH, hereinafter called “SECOND-LIEN BENEFICIARY”, which lien secures GRANTEE'S certain other note of even date to SECOND-LIEN BENEFICIARY in the amount of \_\_\_\_\_, being further consideration paid to GRANTOR, as more*



*particularly described in deed of trust of even date herewith to **JO ANN PATE** or **DENIS MCELROY**, TRUSTEE. But it is expressly agreed and stipulated that the vendor's lien and superior title are retained in favor of the FIRST-LIEN BENEFICIARY and SECOND-LIEN BENEFICIARY, respectively, against the above described property, premises and improvements, until each of the above respective notes are fully paid according to its terms, when this deed shall become absolute."*

The lender may choose to use their funds to close prior to the house passing the Uniform Physical Condition Standard inspection. However, if the house does not pass the inspection, the City is not liable for the loss of funds to the lender.

### **MORTGAGE BROKER PARTICIPATION**

Qualified participating brokers are required to submit a copy of their broker agreement with the lender they are choosing to broker their loan packages through. A letter of assignment must accompany the submitted loan package as well.

Submitted loan packages are required to have an approval from the lender funding the loan. Pre-approvals and conditional approvals are acceptable.

If a submitted loan package changes lenders in the middle of a transaction, HAP funds will be cancelled and new documentation will have to be submitted.

Any deviation from the HAP policies and procedures may result in the individual mortgage broker or loan officer being suspended or debarred from participation in the HAP program at the City's discretion.

### **SELLER REQUIREMENTS**

The real estate agent must inform the seller that the property to be sold must pass the Uniform Physical Condition Standard and environmental review in order for the buyer to receive financial assistance. The seller should be provided a copy of the inspection to help determine if the requirements of the inspection can be met. Uniform Physical Condition Standard repairs must be made prior to closing. There is no cost to the buyer for this inspection.

The buyer must purchase a Texas Real Estate Inspection performed by a licensed inspector at the buyers cost as it is a requirement.

The seller will be required to sign a "Notice To Seller" statement acknowledging the sale is voluntary and the purchaser does not have the power of eminent domain.

### **TITLE COMPANY – CLOSING AND FUNDING REQUIREMENTS**

Notice to close will be provided to the City of Fort Worth twenty-four hours prior to closing. Upon receipt of the initial CD and required documents the closing office will

review the documents and issue the CD approval. After the CD approval has been issued the closing department will prepare the note(s) and deeds(s) of trust necessary to close. The prepared closing docs will be forwarded via email to the title company.

**Things to remember when preparing the CD, 2<sup>nd</sup> lien settlement statement and closing documents.**

1. The City of Fort Worth has no fees to the applicant participating in the HAP program.
2. **The CD must reflect all POC's and earnest money deposits.**
3. **NO CASH BACK TO THE APPLICANT.** Any monies in excess of the amount presented must be returned to the City of Fort Worth.
4. CCA/DPL liens must be separated.
5. Hazard insurance, flood insurance, and the title commitment must show the City of Fort Worth as a second mortgagee.
6. The following subordination clause is mandatory for all second lien transactions.

**“GRANTOR and GRANTEE also acknowledge the retention of a second, subordinate and separate vendor’s lien, and GRANTOR hereby transfers the same to CITY OF FORT WORTH, hereinafter called “SECOND-LIEN BENEFICIARY’, which lien secures GRANTEE’S certain other note of even date to SECOND-LIEN BENEFICIARY in the amount of \_\_\_\_\_ , being further consideration paid to GRANTOR, as more particularly described in deed of trust of even date herewith to **JO ANN PATE** or **DENIS MCELROY**, TRUSTEES. But it is expressly agreed and stipulated that the vendor’s lien and superior title are retained in favor of the FIRST-LIEN BENEFICIARY and SECOND-LIEN BENEFICIARY, respectively, against the above described property, premises and improvements, until each of the above respective notes are fully paid according to its terms, when this deed shall become absolute.”**

**After closing the following documents must be emailed prior to release of the funds.**

- *Signed original subordinate Promissory Note*
- *Signed certified copy of the subordinate Deed of Trust*
- *Title reflecting the City’s subordinate position*
- *Signed copy of the first lien note and deed of trust*
- *Signed copy of the warranty deed with subordination clause*
- *Signed copy of the final CD*
- *Signed copy of the final loan application*
- *HAP Buyer Notification*
- *Signed HAP Agreement for HOME Assistance*
- *Document Correction Agreement*

Upon receipt of the above items, funds will be released to the title company. Title is not allowed to fund without the approval of staff.

The subordinate deed of trust must be recorded and returned to the City of Fort Worth.

### **Waivers**

Requests for waivers of current HAP policy or submission of a grievance must be submitted in writing to HAP staff.

### **Additional Information**

The City of Fort Worth's assistance can be used with the HCVHP (Housing Choice Voucher Homeownership Program) and the Public Housing Homeownership Program (PHH) for FWHA (Fort Worth Housing Solutions, Grand Prairie Housing Authority, Dallas Housing Authority and Tarrant County Housing Authority) participants.

Lender/Realtor participants using the HAP Program are strictly prohibited from advertising the availability of the Program in any way without the expressed written permission of the City of Fort Worth Neighborhood Services Department.

For more information: City of Fort Worth  
Neighborhood Services Department  
200 Texas Street  
Fort Worth, Texas 76102  
(817) 392-7395

Physical Address: City of Fort Worth  
Neighborhood Services Department  
908 Monroe Street-Annex Building 4<sup>th</sup> floor  
Fort Worth, Texas 76102  
(817) 392-7395 or 817-392-7547