



Homebuyer's Assistance Program (HAP) Program Guidelines

PROGRAM OBJECTIVE

To provide low to moderate-income family's affordable homeownership opportunities within the City of Fort Worth.

ASSISTANCE AVAILABLE

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

DEFERRED PAYMENT LOAN (DPL)

An eligible homebuyer may qualify for assistance up to \$25,000. The affordability period will be five (5) years if the amount of assistance is \$14,999.00 or below and ten (10) years if the amount is over \$14,999 but no more than \$25,000. The amount of assistance will depend on the sales price and the loan amount (gap). The eligible homebuyer must be under the HUD Income Limits for the program.

CLOSING COSTS (CCA)

An eligible homebuyer may qualify for closing costs of 3% of the total loan amount. In addition, the UFMIP may be paid from these funds as long as it is being paid outside of closing and is not part of the loan. The combination of funds from DPL and CCA cannot exceed \$25,000.

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. Applications with a contract closing date of less than 30 days will not be accepted. The processing time will be up to 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 emailed to both the lender.

After the initial commitment, Minimum Acceptance Standards (MAS) inspections will be ordered and require seven (10) 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.

After *all conditions* to the commitment have been met, closing instructions and a clear to close letter will be provided to the lender and title company. 48 hours is required for the wire and closing documents per closing instructions.

INSPECTIONS

Federal law requires the property being purchased be inspected for compliance with applicable city building and quality standards, including an environmental review report (ERR) and the model energy code adopted by the city for new construction. The buyer is required to get a home property inspection at their cost. The ERR cannot be ordered until the appraisal is received and requires (10) days to be completed.

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* No more than 1% origination fee and 1% discount fee.

- 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.

APPLICANT ELIGIBILITY

To qualify, the applicants must be first-time homebuyers or cannot have owned a home in the last three years. Displaced homeowners 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 and include the property address.

All eligible applicants will be qualified according to HUD guidelines for homebuyer 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 or their relatives requires disclosure by the applicant and written acknowledgment of the disclosure by the Department.

The Department's Loan Processing staff shall determine the 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 **Subordinate Note and Deed of Trust, Buyer's Notification and HAP Agreement for HOME Assistance** before closing.

RESERVES

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

INCOME QUALIFICATIONS

Household income must be at or below 80% of HUD area median income adjusted for household size. HOME program income limits change from time to time (usually mid- 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). Household size will be determined by dependent verification in the form of IRS 1040 tax returns, recent birth certificates, legal adoption certifications, court ordered guardianships and divorce decrees. All applicants must provide documentation of **receipt or non-receipt of child support**. Income eligibility will be determined by using HUD's Part 5 Income Method.

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 most recent 60 days' pay stubs and other written documentation are necessary to satisfy the requirements of HUD in all income verifications. The documentation required for self-employed borrowers are the last three years of tax returns, along with current P&L and bank statements and HOME Self-Employment form.

NON-PURCHASING SPOUSE

The income and debts of a non-purchasing spouse will be considered to determine eligibility. A credit report is required, and the non-purchasing spouse must live in the home as his/her primary residence. Both spouses (HAP applicants) are to be included on the HAP application to include all pages and provide all required documents deemed necessary for processing and closing. A Homebuyer Training Certificate is required by both spouses. All HAP documents must be signed by each party.

HOUSEHOLD MEMBERS

All household members (over 18 years of age) living in the same household will be considered when calculating income. A statement from FICA earnings from the Social Security Office or Texas Workforce Commission will be required for all individuals 18 years or older reporting no income.

DISPLACED HOMEOWNERS

Displaced home owners may be eligible, on the basis that he/she previously owned a home with a former spouse, but no longer resides in the residence; divorce decree must be submitted

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 required. (Deferred assets such as pensions etc. are not included). There are no asset limitations for HAP, however, if the buyer has over \$25,000 in assets, the remainder must be part of the down payment. Example: *Buyer has \$50,000 in assets; the buyer can keep \$25,000 to help pay expenses but must contribute the remainder \$25,000 towards the down payment.*

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. debt to income (DTI) 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 (debt to income (DTI) may be extended to 45%. A waiver may be submitted for DTI up to 50% and a letter of explanation as to the reason the waiver is needed for the household and must be provided at time of application.

All housing ratios must include tax and insurance escrows. No loan will be subsidized

without tax and insurance escrows. The Homebuyer's Assistance Program requires that all escrowed property taxes must be calculated on an improved property value and a letter of acknowledgment must be signed by the buyer for additional escrows. To determine the reasonable amount of property taxes to escrow, the lender or title company may go to 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)
- CLTV not to exceed 105% on 1st 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 will be forgiven at the following pro rata method during the affordability period (Ten (10) years):

- a. After the completion of year five from the date of purchase \$14,999.00 of the loan will be forgiven.
- b. Thereafter from year six to ten, twenty percent (20%) of the remaining loan amount over \$14,999.00 will be forgiven for each year on the anniversary date of year six through ten of the loan terms.

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 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 ten years and one day from the date of the Note, the Note shall be forgiven if 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 local agencies are currently approved by HUD:

Housing Opportunities of Fort Worth
1065 W. Magnolia Suite B, Fort Worth, TX 76104
817-923-9192 www.housingoppsfw.com

Housing Channel
851 Grainger St., Fort Worth TX 76104
817-924-5091 www.housingchannel.org

Neighborhood Assistance Corporation of America (NACA)
5787 South Hampton Road, Suite 120
Dallas TX 75232
972-283-1171 www.naca.com

Services of Hope Entities, Inc.
1137 Conveyer Lane Suite 107
Dallas TX 75247
214-276-0235 www.servicesofhope.org

Hispanic Real Estate Brokers Association
HREBA Housing Counseling
101 E. Randol Mill Road
Arlington TX 76011
682-348-4481 hhc-arlingtontx.org

Trinity Habitat for Humanity
9333 N. Normandale St.
Fort Worth Texas 76116
817-926-9219 Trinityhabitat.org

Note: hours, fees and courses may vary according to each agency.

A complete list of agencies approved by HUD are available by visiting
https://hud4.my.site.com/housingcounseling/s/?language=en_US

Framework is an approved online course and costs \$75.00 for both husband and wife.

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.
- Manufactured homes must be on a permanent slab foundation
- 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. For existing homes, the sales price must not exceed \$309,000 and for new construction the sales price must not exceed \$329,000 as of June 15, 2024.

The property must meet Minimum Acceptable Standards (MAS also known as HQS) 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 it is new construction, must meet the Model Energy Code compliance requirements. An inspector from 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 (10) 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 for Down Payment and Closing Costs".

ELGIBLE LENDERS AND LENDER REQUIREMENTS

Lenders must be approved by the City of Fort Worth. If a lender is currently not approved, they may request information by calling city staff or by email. A pre-qualification form for a ready buyer must be provided prior to being approved to

participate, if not currently on the lender list. Once the required documentation is received, processing takes approximately 5-7 business days for approval.

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

The lender must provide all requested documentation listed in the submission package section of the HAP application to staff. **The application along with an executed contract 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. Lenders will be notified by email.

Acceptance of applications for the Homebuyer's Assistance Program depends on the availability of funds. Only approved lenders (capable of closing transactions in their own name) Brokers are required to submit an assignment letter at time of application, requesting funds on behalf of the homebuyer.

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

1. Original Application, Household Expense Form, Conflict of Interest, HUD Income Certification form and Immigration Status Verification Form (signed by all parties)
2. Lender commitment or Pre-qualification
3. Loan Estimate Form, 1003 and 1008 or fee sheet
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 not older than 60 days
9. VOE (*all applicants*).
10. *The last 60 days pay stubs (all applicants).*
11. *Statement of FICA Earnings from ssa.gov (all individuals 18yrs. or older reporting no income)*
12. *Last 3 years 1040's signed or a certified copy from the IRS and W2's.*
13. *4506-C form*
14. Child Support Receipt or Non-Receipt
15. *Last 6 months checking bank statements (all assets)*
16. *One month of savings account bank statement*
17. Copy of driver's 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 no less than 30 days to close (*signed by all parties and escrowed*; under special provisions the HAP verbiage must contain as follows:
("Buyer to receive assistance from the City of Fort Worth for Down Payment and Closing Costs")
21. Lead based paint addendum (1978 and prior)
22. Energy Letter from builder (New Construction)
23. *Warranty of Completion of Construction
24. *Appraisal

25. *Survey
26. *Termite certificate
27. *Real Estate Inspection (TREC) Home Inspection

(*) May be provided after HAP commitment, but prior to closing.

A copy of the Closing Disclosure (CD) 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 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 property passing the Minimum Acceptable Standards MAS/HQS inspection. However, if the property 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 approval from the lender funding the loan. Pre-approvals and conditional approvals are acceptable.

If a submitted loan package changes lender 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 participating the 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 Minimum Acceptance Standards (MAS/HQS) and Environmental Review in order for the buyer to receive financial assistance. The seller should be provided with a copy of the inspection to help determine if the requirements of the inspection can be met. Minimum Acceptable Standards (MAS/HQS) 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

*All required documents must be provided to HAP staff **forty-eight hours** prior to closing.* Upon receipt of CD's and required documents, staff will review the documents and issue approval. After approval HAP staff will prepare the 2nd lien note, deed of trust and other city documents necessary to close. The prepared closing documents will be forwarded via email to the title company.

Things to remember when preparing the 1st lien CD, 2nd lien CD or settlement statement and closing documents.

1. **The CD must reflect all POC's and earnest money deposits.**
2. **NO CASH BACK TO THE APPLICANT.** Any funds in excess of the amount of funds provided must be returned to the City of Fort Worth and noted on the CD. CCA/DPL liens must be separate. No principal reduction or debts paid at closing allowed.
3. First Payment Letter
4. Survey
5. Hazard insurance, flood insurance, and the title commitment must show the City of Fort Worth as a second mortgagee
6. Wire Instructions
7. The following subordination clause is mandatory for all second lien transactions including the Warranty Deed.

“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 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.”

After closing the following *certified* documents must be emailed for approval and release HAP funds.

- *Signed certified copy* of the subordinate Deed of Trust and Note
- *Signed certified copy* of the 1st lien note and deed of trust
- *Signed certified copy* of the warranty deed with subordination clause
- *Signed certified copy* of 1st lien CD, 2nd lien CD or settlement statement
- *Signed certified copy* of the final loan application
- *Signed certified copy* HAP Buyer Notification
- *Signed certified copy* Document Correction Agreement

Upon receipt of the above items, funds/wire will be released to the title company.

After funding approval, title will overnight the following original documents. The subordinate deed of trust must be recorded and title policy reflecting the City's 2nd lien position.

- Original subordinate Promissory Note, Document Correction Agreement and HAP Buyer Notification.
- Title policy reflecting the city's 2nd lien position must be provided to HAP staff.

SUBORDINATIONS

HOME PROGAM Requirements 92.254 (f)(3) require the City of Fort Worth to develop and implement specific policies and procedures to reduce risk. The City of Fort Worth Neighborhood Services must establish and apply underwriting guidelines and responsible lending standards to ensure low-income homebuyers are able to afford and sustain homeownership and to reduce the risk of default on both the first lien mortgage and subordinate HOME financing. A review of the new mortgage will ensure its term, features and costs comply with the established responsible lending policies. The following are the minimum requirements for the subordination to be considered. Email HAP staff for a subordination application.

- No cash out refinancing allowed • Maximum CLTV 100%
- Current income of all household members over 18
- Maximum housing ratio 30%
- Maximum debt ratio 41%
- Number of months to recapture lender fees must be at or under 24 months
- Subordination Agreement must be drawn by the title company The following documents are necessary when requesting subordination through the City of Fort Worth Neighborhood Services:
 - Subordination Form Filled out (provided in this packet)
 - Authorization from homeowner signed and dated
 - Credit report (if married joint credit report)
 - Bank statements for past two months

- Homeowner's pay-off statement
- Current Note
- Refinance Loan Estimate
- Refinance 1003
- Refinance 1008
- Current Appraisal (if applicable) or Tarrant Appraisal District Report

For *delinquent mortgages*, provide:

- documentation of number of payments and total amount in arrears.
- Borrowers' explanation for delinquency.
- Proof of Household Income (copy of past month's check stubs for all household members over the age of 18. If anyone is over the age of 18 and unemployed we must obtain a letter signed by that person indicating, they have no income.)
- Mailing label-we will mail the original signed Subordination Agreement for filing.

Waivers

Requests for waivers of current HAP policy or submission of 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
 100 Fort Worth Trail
 Fort Worth, Texas 76102
 (817) 392-7395 Office
 (817)-392-7508 Fax

Or visit our website at:

www.fortworthtexas.gov/departments/neighborhoods/services/hap