



# Homebuyer Program Guidelines

Lexington  
New Neighborhood  
Initiative Development

## **PURPOSE:**

The purpose of the City of Lexington New Neighborhood Homebuyer Program is to provide direct homebuyer assistance to low-to-moderate income families, for the purchase of single-family residential housing units, which are safe, decent, sanitary and affordable. This program will be operated and administered by City of Lexington and Dawson Area Development (DAD) staff. The City of Lexington and Dawson Area Development are responsible for the establishment of the following guidelines.

### **1.0 APPLICATION PROCESS WILL BE BASED UPON NEED**

#### **1.1 General (Conflict of Interest)**

No member of the governing body and no other official, employee, agent, or any member of their immediate family of the City of Lexington or Dawson Area Development who exercises policy, decision-making functions or responsibilities in connection with the planning and implementation of this program shall directly or indirectly benefit from this program. This prohibition shall continue for one year after an individual's relations with the City of Lexington or Dawson Area Development ends. Any other employee, officer, or committee member may be eligible, but will be treated no differently in the determination of applications accepted for funding. Enclosed with this person's application shall be a statement of disclosure, which outlines the nature of the possible conflict and a description of how the public disclosure was made. Included will also be verification that the affected person has withdrawn from the active involvement in any program loan related issue.

#### **1.2 Income Eligibility**

Households receiving assistance from this program will be using 24CFR 5.609 Annual Gross Income (in accordance with HUD guidelines) for the household that does not exceed 100% of the Area Median Income of Dawson County. Employer verification, recent pay stubs, and tax returns will determine income.

#### **1.3 Family Status**

Application dates will be clearly publicized for all residents to be made aware of the availability of this program. Marketing will be done to local or regional residents and tenants of public housing and manufactured housing, other families assisted by public housing agencies and households identified to be potentially eligible but least likely to apply. Formal notification will be accomplished for both successful and unsuccessful applications.

#### **1.4 Real Property**

The property to be purchased must be the principal residence of the applicant during the period of the assistance. Applicant will be required to sign an agreement to authorize the City of Lexington to obtain personal information for verification of principal residency.

#### **1.5 Marketing Process**

The City of Lexington and Dawson Area Development will market the program to local, regional residents and tenants of public housing with threshold incomes of 100% or less of the Area Median Income for Dawson County. The marketing program will include news articles in the area newspapers, public access, posters and brochures displayed in establishments where qualified homebuyers may frequent. Included in the marketing program will be households who are least likely to apply but eligible under these guidelines.

## **2.0 PROPERTY ELIGIBILITY**

### **2.1 Location**

The housing units to be purchased by the new construction grant program participants will be located in Lexington New Neighborhood area and subject to limitations set by individual NAHP grant rules.

### **2.2 Purchase Price**

The purchase price offered in the program shall not exceed the lower of the current single-family mortgage limits under Section 203(b) of the National Housing Act. The 203(b) limit can be found at: <http://www.neded.org/content/view/109/241>.

### **2.3 Maximum Per Unit Subsidy**

Financial assistance provided to the homebuyer shall not exceed the Maximum per unit NAHP subsidy. A listing of subsidy limits by county can be found at: <http://www.neded.org/content/view/109/241>.

### **2.4 Energy Efficiency Criteria**

Newly constructed housing will meet or exceed the 2003 International Model Energy Code.

### **2.5 Owner-Occupied**

The program shall be for only owner-occupied principal residence purchase and shall not be retained for rental purposes.

### **2.6 Unit Characteristics**

Townhomes are eligible for assistance if the unit is owner-occupied, principal residence and a definitive property boundary is established.

### **2.7 Relocation Policy**

Not applicable. The program will be new construction of homes on bare land. No relocation activities will be applicable.

### **2.8 Lead Based Paint Procedures**

No lead based paint will be used on newly constructed residences under this program.

## **3.0 TYPES OF FINANCIAL ASSISTANCE**

### **3.1 Loan Program**

All applicants will be required to secure a single-family mortgage loan from a lender of their choice to purchase a single-family home. The primary lender and its underwriting criteria determine the basis for program assistance. The maximum amount of assistance to any borrower is \$25,000. The total of the assistance loans can be used towards the down payment of one housing unit and associated closing costs. The applicant will be required to provide \$500 towards closing costs. The primary lender will appraise the property. A subordinated lien will be placed for each source of funds on the property at the time of signing the promissory note in an amount equal to the loan.

At the time of resale, of the net sale price received less the primary lender's loan is not sufficient to repay the loan, the borrower will be responsible for the repayment of the loan. The purchaser may apply to the program to assume the outstanding loan, but terms will be established based upon the purchaser's financial information.

### 3.2 Sources of Homebuyer Assistance

There will be two (2) sources of assistance available for homebuyers eligible for assistance purchasing a newly constructed home in the Lexington New Neighborhood area.

#### 3.2.1 City of Lexington – NAHP Funds

The City will provide assistance utilizing funds secured from the New Neighborhoods Initiative Grant for the buy down of lot and infrastructure costs. The maximum loan is \$20,000 and shall consist of a 0% deferred loan that is due in full upon sale or transfer of the property. The loan shall be secured by a Promissory Note and second Deed of Trust on the real estate for the benefit of the City of Lexington, Nebraska. The City of Lexington agrees to keep any re-use funds obtained from homeowners in the Lexington New Neighborhood area in the City of Lexington for further affordable housing activities.

#### 3.2.2 Dawson Area Development Funds

Dawson Area Development will provide down payment/closing costs assistance utilizing funds within a Regional Mortgage Assistance Program. The maximum loan is \$5,000 and shall consist of a 0% deferred loan that is due in full upon sale or transfer of the property. The loan shall be secured by a Promissory Note and third Deed of Trust on the real estate for the benefit of Dawson Area Development.

### 3.3 Subordination

Future refinancing, home equity loans and all future liens will be handled on a case by case basis. Any subordination must fall within the guidelines outlined below before any subordination of the second, third, fourth, or fifth line will be considered:

#### 3.3.1 Refinancing with No Cash-Out

A refinance with no cash-out is the situation when a homeowner wishes to refinance their existing first mortgage which may include refinance fees only. This type of subordination will be approved by all secondary lien holders.

#### 3.3.2 Refinancing with Cash-Out

A refinance with cash-out is a situation where the homeowner refinances their existing mortgage and desires to consolidate other outstanding debt or obtain extra funds (cash) to spend on other items. This type of subordination would be approved by all secondary lien holders only if the combined Loan-to-Value of all items is at or below 87.5% of the value of the subject property.

#### 3.3.3 Obtain an Equity/Home Improvement Loan

This scenario is when a homeowner wants to obtain an Equity Loan or Home Improvement Loan and the lender desires to file their lien in second (2<sup>nd</sup>) position. The type of subordination would

be approved by all secondary lien holders only if the combined Loan-to-Value of all liens is at or below 87.5% of the value of the subject property.

### 3.4 Foreclosure

Lenders shall give the notice to Borrowers following Borrowers' breach of any covenant or agreement in the Note and the Deed of Trust of which it secures. The notice shall specify (a) the default, (b) the action required to cure the default, (c) a date not less than thirty (30) days from the date the notice is given to Borrowers by which the default must be cured, and (d) failure to cure the default on or before the date specified in the notice may result in acceleration of the sum secured, the deed of trust and resale of the property. Upon acceleration of the sum secured and resale of the property, the City of Lexington shall apply the proceeds of the sale in the following order: (a) to all expenses of the sale including, but not limited to, the City of Lexington's fees as permitted by Nebraska law and reasonable fees; (b) to all sums secured by this security agreement; and (c) any expenses recaptured by the City of Lexington. City of Lexington will recapture the net proceeds in the case of foreclosure.

## 4.0 APPLICATION PROCESS

### 4.1 Application

In order to obtain the application forms the applicant must contact Dawson Area Development. An appointment will be scheduled for assistance in completing the application. Staff will explain the assistance available through the program and be responsible for processing the application, verifying income by third party verifications and determining the applicant's eligibility for participation in the program. During the application review, Dawson Area Development will make recommendations and referrals to other programs available such as USDA Direct Rural Housing Loans. The City of Lexington and Dawson Area Development will give notice in the Lexington Clipper Herald and local radio stations.

### 4.2 Underwriting Criteria

Dawson Area Development staff members will take into consideration the following mitigating factors in determining eligibility:

- A. Credit Guidelines—credit payment history, revolving accounts, any collections, judgments, liens, bankruptcy, foreclosures, repossessions, and credit depth.
- B. Debt to Income Ratios—housing expense ratios between 25% - 28% and total household expense ratios between 33% - 41%.
- C. Compensating Factors—any of the following may be considered in compensating factors providing they are strong: ratios, equity, assets, time on the job.
- D. Loans to provide down payment assistance for the purpose of new single-family and existing homes will be made to eligible families with an income no greater than 100% of the Area Median Income of Dawson County, Section 8 Part 5 standards established by HUD for lower income assisted housing meeting all of the criteria that was previously set. The home mortgage loan must be obtained from a local financial institution.

### 4.3 Procedures for Eligibility

Applications will be taken on a first ready, first serve basis. First ready will mean that the applicant will have completed a preliminary application/initial review, have received income verification forms to include:

SSI/SS Benefits, Child Support, Alimony, ADC, Pay Stubs, Asset and any other forms needed to determine income; eligibility worksheets/income calculations; pre-approval letter from primary lender and/or good faith estimate; and income worksheet. Dawson Area Development shall maintain a list of applicants. All applicants will be notified as to eligibility or non eligibility in writing.

#### 4.4 Purchase Agreement

Once the applicant is approved, the applicant may sign a purchase agreement and attend a Homebuyer Education workshop.

#### 4.5 Homeowner Education Workshop

Each applicant must attend a Homeowner Education Workshop (prior to closing period or within 120 days following closing period) provided by a REACH affiliate, which includes an educational packet and instructional materials on topics including family financial management, record keeping, maintenance, and up-keep of landscaping, lawns and pest management, appliances and home furnishings.

#### 4.6 Fair Housing Act

Title VII of the Civil Rights Act of 1968 (Fair Housing Act), as amended, prohibits discrimination in the sale, rental, and financing of dwellings, and in other housing-related transactions, based on race, color, national origin, religion, sex, familial status (including children under the age of 18 living with parents of legal custodians, pregnant women, and people securing custody of children under the age of 18), and handicap/disability.

No one may take any of the following actions based on race, color, national origin, religion, sex, familial status of handicap:

- Refuse to rent or sell housing
- Refuse to negotiate for housing
- Make housing unavailable
- Deny a dwelling
- Set different terms, conditions or privileges for sale or rental of a dwelling
- Provide different housing services or facilities
- Falsely deny that housing is available or inspection, sale, or rental
- For profit, persuade owners to sell or rent (blockbusting)

#### 4.7 Grievance Procedure

In the event that any applicant feels he or she has been unfairly treated or discriminated against during the process of selection of projects to be funded, excluding the determination of ability to secure a Home Mortgage Loan from a financial institution, within any other segment of this assistance program, he or she may appeal the decision of the City of Lexington. The City of Lexington is located at 406 E 7<sup>th</sup> Street, Lexington, NE, 68850. If mailed to the City of Lexington at P. O. Box 70, Lexington, NE, 68850, it must be postmarked with 14 calendar days of the decision. All grievances shall be directed to the City Manager at the City of Lexington office in writing. The City of Lexington administration will act to support or overturn the action within 30 days of the receipt of the appeal. The City of Lexington administration will have final authority in the decision.

Appeals regarding loan ability shall be made to the financial institutions in accordance with their procedures.

## **5.0 LOAN CLOSING**

### **5.1 Closing**

City of Lexington will schedule the loan closing with the borrowers, escrow closing agent and the primary lender. The primary lender will prepare all closing documents for its loan. City of Lexington will prepare at a minimum and have the borrower execute at closing:

- Promissory Note
- Deed of Trust

Dawson Area Development will attend the loan closing also with the prospective borrower, escrow closing agent and primary lender. Dawson Area Development will prepare at a minimum and have the borrower execute at closing:

- Promissory Note
- Deed of Trust

### **5.2 Insurance**

Owner-occupants will need to carry a basic property insurance policy of at least one-hundred (100%) percent of replacement cost. Homeowners insurance and flood insurance, if applicable, must be carried on the dwelling throughout the loan repayment period in order to remain eligible for the program. City of Lexington is to be named loss-payee on all insurance policies.

### **5.3 Close-Out**

DAD shall maintain and keep all applications as well as all other required documents, records and other evidence in conformance with NAHP regulations.

## **6.0 PROPERTY MAINTENANCE**

All properties purchased with Nebraska Affordable Housing Program funds shall be maintained in compliance with local ordinances and subdivision covenants.

## **7.0 CONSTRUCTION SUPERVISION**

All single-family units built under this program shall be subject to appraisal to verify completed value. All development is subject to review and inspection.

## **8.0 DEVELOPER CONTRACTOR DISPUTES**

Construction related developer/contractor disputes or deficiencies and/or any disagreements between the homebuyer and seller or developer to the construction of the homes shall be resolved prior to loan closing in a manner acceptable to all parties. Informal resolution of disagreements is recommended. Acceptance of the home and delivery of the deed at loan closing shall constitute the homebuyer's waiver of any rights concerning known defects of existing disputes or disagreements between the homebuyer and seller, subject only to such special warranty given by the seller on the home and as set forth in the documents accepted at the time of closing. The foregoing shall not limit warranty-express or implied as may otherwise

exist as a matter of law.

**9.0 AMENDMENTS TO THE GUIDELINES**

Upon approval and adoption of the amendment by City administration, the amendment will be submitted to the NE Department of Economic Development representative for their approval. The amendment will then be included in the program guidelines.

**10.0 PROGRAM INCOME REUSE & RECAPTURE REUSE PLAN**

City of Lexington will use program income in the amount up to \$120,000 to be reinvested in the project for eligible activities until the project is completed, remaining reuse will be managed in accordance with a City of Lexington reuse plan.

**11.0 REPORTING REQUIREMENTS**

The City of Lexington and Dawson Area Development will prepare and submit to the Nebraska Department of Economic Development a semi-annual status report detailing activities undertaken, applications taken and in progress, applications approved, closings held and funds obligated and expended.

**12.0 OFFICIAL CONTACT OFFICE**

The place of contact for this program shall be the office of City of Lexington, 406 E 7<sup>th</sup> Street, Lexington, NE 68850. Telephone number (308)324-2341, [jpepp@cityoflex.com](mailto:jpepp@cityoflex.com).

Approved this \_\_\_\_\_ day of \_\_\_\_\_, 2010.

City of Lexington

Dawson Area Development

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
Executive Director

\_\_\_\_\_  
City Clerk

These housing guidelines are hereby approved by the Nebraska Department of Economic Development (NDED) this \_\_\_\_\_ day of \_\_\_\_\_, 2010.

\_\_\_\_\_  
NDED Representative