DOWN PAYMENT ASSISTANCE PROGRAM

Frequently Asked Questions

I need help with a down payment to buy a home. Where do I start?

Register for a home buyer education course by calling 512/974-3100 or go to http://www.austintexas.gov/department/housing-smarts-counseling for more information on our department's free classes called "Housing Smarts." The classes are required for anyone interested in DPA. After you complete the classes, then get approved for a mortgage loan through one of the DPA Participating Lenders posted on our site. Your lender will later complete your DPA application for you and submit it to AHFC about 3 to 4 weeks before your closing.

The class schedule is full for the next month. Can I take classes somewhere else?

Yes. AHFC will also accept the class certificate from these local organizations:

- Business & Community Lenders of Texas, tel: 512/383-0025 x 100, www.bclhomeownershipcenter.org
- Foundation Communities, tel: 512/215-1295, www.foundcom.org
- Frameworks CDC, tel: 512/385-1500, www.frameworkscdc.org

The Home Buyer Education Certificates are acceptable for one year after class completion. The above three organizations use the same curriculum as Housing Smarts with Austin Housing Finance Corporation. However, please note that they may charge a registration fee.

How do I know if I qualify?

Your household must meet all program requirements and criteria. In addition, your household must meet or fall below the annual income and asset limits set forth by program guidelines. Furthermore, the property you purchase must pass the HQS Inspection and finally, your first lien mortgage loan must also meet program guidelines. First, you must be a first-time homebuyer (as defined in the DPA brochure and application) who has not owned any property in the last three years or has been displaced as a result of divorce. Households cannot have more income and assets than the limits posted for your household size on the DPA application. Then, your lender must make sure the details of your mortgage loan fit within certain criteria set forth by DPA program guidelines. See the DPA application for more information and additional requirements.

Does AHFC care to know what my credit score is?
No. The DPA Programs are not credit score driven. However, Down Payment Assistance is to be used in combination with a Mortgage Loan. Your Mortgage Lender may have credit score requirments.

I recently lost my house in a divorce. Am I considered a first-time home buyer?
Yes. Federal regulation determines one to be a first-time home buyer if they have not owned real estate in the most recent three complete years or if they were displaced from their home due to a divorce.

How do I figure out how much DPA I can get?
We calculate your DPA check amount based on how much you actually need, or your "demonstrated financial gap." First, we look at the actual costs: your home sales price plus your estimated closing costs. Next, we look at actual money being paid towards purchase the home: the loan amount your lender has approved for you, plus any money the seller is contributing, plus the earnest money you contributed when you signed your sales contract, plus certain lender required costs that you paid for in advance that, plus gift funds received. We help with the gap between the actual costs and the actual money being paid towards the purchase of the home. Not all closing costs are covered by DPA. A list of eligible costs are posted on the application. Program guidelines will allow AFHC to cover certain types of closing costs.

How do I know if an address is inside Austin City Limits?
On our website under "First Time Home Buyer Down Payment Assistance" we have posted instructions for using a city mapping site to see if a property address is inside Austin City Limits and is eligible for DPA. Follow the steps to verify an address, or you can call our staff to help you. Remember that just because a property has an Austin mailing address, it does not mean that it is inside the city limits. Also, some neighborhoods in Del Valle, Pflugerville, and other outlying areas actually fall within the Austin City Limits and could be eligible for DPA.

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How long does the DPA application process take?
Your DPA Participating Lender will turn in your DPA application package to us about 3 to 4 complete weeks* before your closing. We only accept it if everything listed in the checklist in the front of the application is provided. That gives the City enough time to review it, inspect the house, and print a check and closing documents for your title company. *Depending on underwriting review of the application and supporting documentation, there is a possibility of the requirement for clarification of information or additional documentation. Therefore, processing times do vary and can take longer than the typical 3 to 4 weeks.

I've been working with a lender but I don't see them on your lender list on the website. Can they still help me apply for DPA?
The DPA Participating Lenders listed on our website are the only professionals who have attended training and committed to a Participating Lender Agreement. Therefore, they are the only Lenders who are authorized to submit DPA applications on your behalf. If the lender and loan officer you are currently working with are not on the DPA Participating Lender list, they are not authorized to submit any DPA applications until they have been trained and approved to do so. Lenders can visit the DPA website to learn of future training sessions so they may become Participating Lenders. The Participating Lender list is subject to change without notice and based on the discretion of AHFC.

How do I select a realtor to help me find a home that would qualify for the DPA Program?
Although AHFC does not require Realtors to attend training for DPA before helping you, it is highly recommended. As a courtesy to you, a list of all Realtors who have attended training in the last fiscal year is posted on the DPA website. Applicants are not required to enlist the assistance of the Realtors listed on our website. The Participating Realtor list is subject to change without notice and based on the discretion of AHFC.

What is the procedure to determine if my income earnings qualify for DPA?

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The Federal guidelines require that "Household" income calculations involve the review of current "gross income" (not net) earning patterns for all income earning individuals (age 18 and over) and assume that the income currently earned will hold constant for the next 12 months. Depending on the information received, income determination may include review of pay stubs, tax returns and asset documents. Typically, gross (not net) income received over the most recent three months, including but not limited to overtime, bonuses, shift premiums, tips, patterned deposits noted on recent bank statements, interest and dividend income, equity, alimony, child support, social security, annuities, insurance pensions disability, death benefits, unemployment, some forms of TANF or Welfare, or other additional earnings / regular contributions or compensation received is averaged then projected forward 12 months to determine if applicants exceed the federal annual income limits set forth by program guidelines. Regardless of which household member is purchasing the home, Federal guidelines require all persons over the age of 18 to provide income and asset documentation because DPA Eligibility is determined by anylization of "household" size, income and asset totals. The Participating Lenders listed on the DPA Website are trained to know what documentation to request and review to determine household size, calculate income and assets in qualifying applicants for Mortgage Loans with Down Payment Assistance.

My minor niece and nephew recently moved in with me. Can I count them as members of my household?

To count children, other than the applicants, as household members, certified / auditable documentation should be provided proving guardianship and permanent residency in the home of the applicant. The Participating Lenders listed on the DPA Website are trained to know what documentation to request and review to determine household size, calculate income and assets in qualifying applicants for Mortgage Loans with Down Payment Assistance.

I share custody of my children who reside with me periodically throughout the year. Can I count them as household members?

To count children that are subject to shared custody of separated or divorced parents, a recorded copy of the final divorce decree and / or custody agreement should be provided certifying that the children reside in the applicant's home for a minimum of 50% of the year.

I am a foster parent. Do my foster children count as household members?
No. Foster children, Foster adults, Live-in Aides and children of live-in aides should not be counted as house hold members when determining household size and their income, if any, is not included when calculating annual income.

Can I apply for DPA before I start looking for my house?
No. Down Payment Assistance funding availability is on a first-come first-served basis. Therefore, it is required that all applicants must be officially under contract to purchase a ready-to-move into home and be in receipt of a fully underwritten mortgage loan approval at the time of DPA application submission. The lenders listed as Participating Lenders on the DPA website are trained on how the DPA programs work so they are able to estimate what your DPA amount might be at the time that they prequalify you for a mortgage loan.

Can I apply for DPA before my house is done being built?
No. Down Payment Assistance funding availability is on a first-come first-served basis. Therefore, it is required that all applicants must be officially under contract to purchase a ready-to-move into home and be in receipt of a fully underwritten mortgage loan approval at the time of DPA application submission. DPA applications for newly constructed homes must include a "Certificate of Occupancy" that proves the house is completed and ready to move into.

There is a house I'm interested in but it needs a little work. Is that okay?
Be cautious about signing a contract on a "fixer upper". The goal of AFHC is to help first-time homeowner's purchase affordable, immediately habitable homes that do don't need extra repairs or investments to make the property safe. Program guidelines require that all properties pass AHFC "Housing Quality and / or Visitability Standards (HQS) Inspection" to ensure that applicants are purchasing homes that are safe and immediately habitable. Upon receiving an application for DPA, an inspection is ordered to test all utilities and ensure that

there are no hazards that would deem the house unsafe or inhabitable. The Participating Lenders and the trained Realtors listed on the DPA website are familiar with the DPA property requirements; therefore, should be able to provide guidance in choosing a property that will be acceptable to the DPA Program Guidelines.

The house I am interested is a foreclosure. Is that okay?
Be cautious in making sure that your Realtor and Lender are familiar with Foreclosures and dealing with Foreclosure Sellers. Sometimes, Sellers of foreclosed properties are uncomfortable signing DPA documents. Additionally, often times, foreclosed properties may be considered "fixer upper" properties which may result in a failed HQS inspection. AHFC requires all failed inspection issues to be repaired or replaced prior to closing the loan transaction. Often times, sellers of foreclosed properties prohibit repairs prior to closing. Finally, all utilities must be on and verifiable as working properly in addition the property being considered readily habitable and safe according to the HQS Inspection criteria in order to pass inspection. Properties built prior to 1978 are only eligible for the Standard DPA (up to $10K) option.

Can I have a relative co-sign with me on my mortgage, but not live with me?
No. "Non-occupying co-borrowers" are not permitted in the DPA Program. But, it is OK to have co-borrowers with you on your mortgage if they are also are going to be living with you in your household. Your co-borrower must also be a first-time homebuyer and we do count their income and assets as part of your household.

I am a citizen but my spouse is not. Are we eligible for DPA?
No. Regardless if one or both of you are on the mortgage loan, both of you will be considered DPA applicants. Therefore, both you and your spouse must be U.S. citizens or legal permanent residents.

My spouse is not on our mortgage loan, just me. Do you need his/her information also?

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Yes. Program guidelines require that all married individuals including non-purchasing spouses (NPS) be determined DPA applicants. Therefore, all documentation requirements listed on the application are need for the non-purchasing spouse(NPS). Additionally, the NPS is required to sign the DPA application and DPA legal documents at closing. Finally and regardless of who is purchasing the property, federal guidelines require all persons over the age of 18 residing in the property to provide income and asset documentation because DPA Eligibility is determined by anylization of "household" size, income and asset totals.

My relatives want to give me a gift to help me with some of my down payment. Can I still apply for DPA?

It depends. If you are applying for the Standard DPA option ($10,000 or less) you may have a gift of up to 5% of the sales price of your home. Seller contributions are okay, however, the contribution is taken into account when calculating the DPA check amount.

Gift funds are prohibited to be received in conjunction with the Shared Equity DPA (up to $40,000) program. You may not receive any down payment gifts from anyone else. Seller contributions are okay, however, the contribution is taken into account when calculating the DPA check amount.

Do you forgive portions of the DPA loan depending on how long I live in my house?

No. Standard DPA (up to $10,000) guidelines require you to live in your home as your primary residence, making no changes to the first lien neither note nor transfer title for the full ten year term for it to be forgiven. Even if you sell your house nine years after closing, you still have to pay back the full Standard DPA loan amount. There is no "stair-stepping" in which portions are forgiven after periods of time. Forgiveness of a Standard DPA loan occurs only after ten years. Remember that it's at 0% interest, so all that is ever paid back to AFHC is the amount of DPA obtained to purchase your home. There are no penalties or fees charged.

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Shared Equity DPA (up to $40,000) is a loan that is never is never forgiven that must be paid back at the end of 30 years if you remain the in the home as your primary residence, make no changes to the first-lien note and you do not transfer title. Prior to the 30-year affordability period on the Promissory Note and Deed of Trust, should you sell the property, make changes to the first lien note, transfer title, etc… you will also owe AFHC a percentage of the properties equity if your house has grown in value during the time you lived in it. For more on Shared Equity DPA, read below.

Frequently Asked Questions on SHARED EQUITY DPA

How does Shared Equity DPA work?

Shared Equity DPA may be a DPA option if you need more than $10,000 in down payment and closing costs (if you need less than $10,000, look into Standard DPA). It is a large loan that requires no monthly payments ("deferred loan") as long as you live in the house for a consecutive 30 years from the date of purchase (also known as the affordability period), make no changes to the first lien promissory note and do not transfer title. If you adhere to the above requirements throughout the affordability period as defined above, at the end of 30 years, you will be required to pay back the amount of DPA you borrowed through monthly payment as determined in the Promissory Note.

However, prior to the end of the affordability period (30 years), if you decide to sell the house, rent it to someone else, transfer title, refinance your original mortgage, or pull a home equity loan from the house, you have to pay back the entire Shared Equity DPA loan back to the City plus a percentage of the properties equity (not to exceed 30%) should you have enough equity that would result in a profit or gain. For example, if prior to end of the affordability period, you should sell your house for a higher price than what you paid for it—you will pay back the DPA loan and share a percentage of this equity with the

City. **The percentage will be equal to the percent of your home price that the City helped you cover.** For example, if the City helped you cover 23% of your home purchase price, then you will later share 23% of the equity you gain when you transfer the title of your home to someone else. Every borrower's percentage is unique because every sales price and DPA loan amount are unique. See an example of how Shared Equity DPA works at the end of this FAQ Document.

What is a "right of first refusal"?
It is an agreement to give someone the right to buy a property before it goes on the open market. The City asks Shared Equity DPA borrowers to have a "right of first refusal agreement" with the City. The day you decide to sell, this agreement gives us the chance to buy your home from you at the market rate so that we can offer it to another low-to-moderate-income household. An independent appraiser will determine what your house is worth once you decide to sell it. If we decide not to buy your house after all, you can sell it to anyone at any price.

What if my home goes down in value when I sell it later?
Shared Equity DPA is a partnership between you and the City. If you realize gains, you share a percentage with the City. But if your home depreciates, that loss is also shared with the City. The amount of depreciation will be subtracted from the original Shared Equity DPA loan amount you will pay back.

What if I become able to pay back the Shared Equity DPA before I actually sell my home? Can I pay it back early?
The Shared Equity DPA Program helps borrowers who do not normally have the ability to prepay any loans. You may pay back the original DPA principal loan amount early, but it is not necessary and there is no real advantage in doing so. However, you cannot prepay the shared equity percentage portion because the DPA Promissory Note and Deed of Trust create an affordability period that does not expire for 30 years after the date of purchase. The Shared Equity is only calculated and owed to AHFC, if prior to the 30 year affordability period, at the time that the original first lien note is changed, title is transferred, the property is refinanced or turned into a rental property, etc. Prior to paying off

your principal balance of the original DPA amount, it may be in your best interest to discuss your options with a certified financial advisor if you have extra funds that may be used in a way that would benefit you in a better way.

What if I live in my house for 30 years? Then what happens?
If a Shared Equity DPA borrower still owns and continue to live in the home after 30 years - has not altered the original first lien promissory note, title nor equity in any way—then at that time, the home owner will start to pay the DPA loan back to the City in monthly payments as determined in the DPA Promissory Note. The monthly DPA loan payments will be the exact same amount as what your principal and interest portion of your mortgage payments were for the previous 30 years. Also, after 30 years, the "right of first refusal" expires and you can sell your home to anyone at any price and lastly, you no longer have to share any equity with the City. You only have to pay back the original DPA loan amount and nothing more. To clarify, if you continue to live in your home after the 30 year affordability period, you make monthly payments to pay back the DPA principal loan amount. If after the 30 year affordability period you sell, convert the property to a rental, change title, refinance, etc… the DPA principal loan amount will be due in one lump sum payment.

Example of how AHFC determines the Shared Equity DPA Percentage:
Borrower X is qualified for a mortgage loan of $129,000. She signed a contract for a house that costs $160,000. She justifies needing at least $36,400 in Shared Equity DPA funds (plus some additional money for eligible closing costs). Her shared equity percentage is going to be about 22.75% (DPA amount divided by the sales price), because the City is loaning her 22.75% of her sales price. When she decides to sell it, lease it, or otherwise transfer her title, she will pay the City back the original DPA loan amount of $36,400 plus share 22.75% of any equity she gains in the property.

Determining the amount of DPA needed to purchase the property (STEP ONE)	
Sales Price (Good Faith Estimate) :	**$160,000.00**
Closing Costs & Pre-paid Expenses **excluding** UFMIP(GFE) +:	$6,400.00
Subtotal =:	$166,400.00

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Less BASE Loan Amount - :	**$129,000.00**
Less Earnest Money, Option Fee and P.O.C's - :	$1,000.00
Less Lender, Realtor &/or Seller's Contribution - :	$0.00
Less Gift - :	$0.00
Total DPA need demonstrated by Buyer = :	**$36,400.00**
DPA÷ Sales Price equals Equity Percentage to be shared =:	**22.75%**

Example of what a pay-off of the above property might look like prior to the end of the 30 year Affordability Period:

Determining the Equity to be shared upon selling the home during the affordability period (STEP TWO)		
New Estimated Sales Price / Appraised Value (whichever is lower)	:	$210,000.00
Original Senior Mortgage Loan	- :	$129,000.00
Shared Equity DPA loan	- :	$ 36,400.00
Borrower's Cash Contribution (earnest money, etc..)	- :	$ 1,000.00
Total Equity to be Shared	**=:**	**$43,6000.00**
Determining the Portion of Equity owed to AHFC upon selling the home during the affordability period (STEP THREE)		
Total Equity to be Shared	:	$43,600.00
Pre-Determined Percentage of Equity	x:	22.75%
Shared Equity due AHFC	**=:**	**$ 9,919.00**
Down Payment Assistance Loaned at Purchase	+:	$ 36,400.00
Total Amount owed to AHFC upon sale during Affordability Period	**=:**	**$46,319.00**
Determining the Portion of Equity owed to Home Owner upon selling the home during the affordability period		

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(STEP FOUR)		
New Estimated Sales Price	:	$210.000.00
Total Due AHFC (from step three)	(-):	$46,319.00
Estimated Senior Loan Balance	(-):	$100,000.00
Estimated Closing Costs & Realtor Commissions (8% of Sales Price)	(-):	$ 16,800.00
Amount owed to HOME OWNER upon sale during Affordability Period =		**$46,881.00**