



HOMEOWNERSHIP OPPORTUNITY PROGRAM POLICY

OVERVIEW

The City of Boise (the City) supports homeownership opportunities by providing assistance in the form of a mortgage to qualified homebuyers purchasing homes within Boise city limits. This program is supported through the City's annual funding allocation from the U.S. Department of Housing and Urban Development's entitlement grants.

Through the Homeownership Opportunity Program (HOP), the City's funds can be used toward an eligible buyer's down payment and/or closing costs and can provide direct financing that reduces the size of a buyer's primary loan (i.e., first mortgage) to a level that is affordable.

HOUSEHOLD ELIGIBILITY

In providing assistance to homebuyers, the City wants to ensure that participating buyers will be successful homeowners; therefore, the program targets households with enough income to afford a mortgage and the other costs associated with homeownership.

INCOME QUALIFICATION

Households must have a gross household income of at least 50% and no more than 80% of the Area Median Income (AMI), as published annually by HUD. All persons named on the loan documents must occupy the home, and their income must be included in the eligibility calculation. A non-occupant co-borrower is not allowed.

PROPERTY ELIGIBILITY

The City's assistance may be used to assist in the purchase of the following types of properties:

- Existing homes (older than one year) and previously lived in,
- New homes (newer than one year) and never lived in,
- Manufactured homes or modular housing to be placed on a foundation and on land owned by the borrower,
- Condominiums or townhomes,

- Mobile homes, no more than 10 years old, on a foundation/concrete slab or pier post/blocks and connected to permanent utilities hook ups on land owned by the borrower or in a managed park¹.

An inspection of the property must be completed by a Housing & Community Development (HCD) staff member prior to purchase to ensure the property meets a housing standard accepted by HUD (HQS, NSPIRE, etc.).

UNDERWRITING REQUIREMENTS

FIRST MORTGAGE REQUIREMENTS

To ensure that buyers receive high quality loans that are sustainable over time, the City requires that the senior loan (i.e., first mortgage) be a "Qualified Mortgage" under the requirements of the Consumer Financial Protection Bureau (CFPB). Loans made by the Idaho Housing and Finance Association are also acceptable mortgage products, despite being exempt from the Qualified Mortgage standard.

Interest Rate

Interest rates must be competitive and must not be a "Higher Priced" loan as defined by CFPB.

Term

Lending products must be fully amortized, fixed rate, and have a minimum term of 30-years. While some buyers may prefer shorter (e.g., 15 year) loans, the City will only consider such loans on an exception basis if it determines that the buyer's payment is sustainable and that the use of a shorter-term product does not require additional financial assistance from the City as compared to a 30-year loan.

Loan-to-Value Ratio

The loan to value of a buyer's first mortgage cannot exceed 100%. Loan products used must generally allow loan-to-value (LTV) ratios of at least 95%. Although assisted buyers are not required to be approved for loan amounts equal to 95% of the purchase price, buyers who use more restrictive lending products (such as those limiting the LTV to 80%) will not receive assistance toward their purchase if they could otherwise afford the monthly payment on a larger loan. In short, buyers should obtain the largest loan they can reasonably afford. The City will not provide deeper subsidy on purchases to avoid mortgage insurance on higher LTV lending products.

CITY UNDERWRITING

Homebuyer Investment

Participating buyers must contribute at least .5% of the purchase price toward their down payment and closing costs. Additionally, buyers should have sufficient cash resources (including savings, checking, money market, or other similar non-retirement accounts) such that after closing they have savings of at least two (2) times their total monthly payment, including principal, interest, taxes, insurance, and any association fees. The

¹ Homebuyer must provide lease agreement and/or letter of approval to rent prior to being approved for assistance.



City reserves the right to consider exceptions to this requirement on a case-by-case basis, as determined by the City's Loan Committee.

Liquid Assets

Buyers that have income from current employment with liquid assets in excess of a cash value of \$35,000 will be required to invest assets above \$35,000 toward the purchase of the home before receiving assistance. Liquid assets are those readily convertible to cash (including, but not limited to, savings or checking accounts, certificates of deposit, stocks and bonds, etc.). The City reserves the right to consider exceptions to this requirement on a case-by-case basis, as determined by the City's Loan Committee.

Monthly Payment

Assisted buyers are expected to make reasonable contributions toward their total monthly mortgage payment and should not be provided with more assistance than necessary to make the purchase affordable. The City's expectation is that all buyers make monthly payments equal to 30% of the household's underwritten income.

Debt-to-Income Ratios

Although the minimum payment provisions set an initial target for a 30% front-end ratio, some buyers may wish to "stretch" this ratio and take on a larger mortgage. Within some margin, this may be reasonable.

However, to ensure buyers are not over-leveraged, in all cases, buyers must obtain loans whose total monthly payment (i.e., front-end ratio) does not exceed 39% of monthly income and that does not result in a total debt burden (i.e., back-end ratio) in excess of 45%.

TERMS OF CITY ASSISTANCE

FEE SIMPLE OWNERSHIP PROPERTIES

Maximum Amount

Subject to compliance with the underwriting standards, the maximum assistance available toward the combination of down payment, closing costs, and direct financial assistance to a buyer purchasing a standard fee simple ownership property is \$45,000. The maximum award amount will be reviewed by HCD staff annually in October.

Terms

Assistance is provided directly to the qualified household as a deferred mortgage, subordinate to the primary loan(s), and secured by a Promissory Note and Deed of Trust. The assistance is subject to the City's Recapture Policy; repayment is due at sale or transfer and the amount due is the original assistance times the cumulative rate of appreciation (future sales price divided by the original purchase price), limited to the Net Proceeds of the sale.

$$\frac{\text{Future Sales Price}}{\text{Original Purchase Price}} = \text{Appreciation Percentage}$$

$$\text{Original Assistance} \times \text{Appreciation Percentage} = \text{Repayment Amount}$$



LEASEHOLD AND OTHER DEED RESTRICTED PROPERTIES

Maximum Amount

Subject to compliance with the underwriting standards, the maximum assistance available toward the combination of down payment, closing costs, and direct financial assistance to a buyer purchasing a home that is part of an established Community Land Trust or other deed restriction meeting the requirements below, is \$65,000. The maximum award amount will be reviewed by HCD staff annually.

Terms

Assistance is provided directly to the qualified household as a deferred mortgage, subordinate to the primary loan(s), and secured by a Promissory Note, Deed of Trust, and Deed Restriction. The assistance is subject to the City's Resale Policy. If the home is not part of an established land trust or leasehold estate, there must be a deed restriction filed at the time of purchase requiring that the home is sold back to the affordable housing developer or to an income-qualified household.

To provide a fair return to assisted buyers while ensuring homes remain affordable to a reasonable range of future low-to-moderate income buyers, the City will limit any given buyer's future resale price to the lesser of:

- 1) their purchase price plus 1.5% for each year of ownership plus the City-recognized value of pre-approved capital improvements made by the buyer during their period of ownership; or
- 2) the then current appraised value of the property (which the City expects is highly unlikely to be the controlling factor).

The City's goal will be to ensure the initial pricing of leasehold/deed restricted units is affordable to buyers ranging from 50% to 80% AMI.

The City will review all lease or deed restriction documents prior to approval of any assistance. The land trust lease must require affordability for a minimum of 50 years and all provisions must be compatible with the City's established Resale Policy.

AGREEMENT

In addition to the aforementioned instruments securing the HOP investment, all buyers will be required to execute a Homebuyer Agreement with the City. The Homebuyer Agreement stands alone from the Deed of Trust and Promissory Note, is independently enforceable, and enforces the City's recapture or resale provisions, as applicable. In the event the buyer prepays the HOP deed/note, the Homebuyer Agreement will remain in effect.

COMPLIANCE

PRINCIPAL RESIDENCY REQUIREMENT

The buyer must agree to maintain the home as their primary place of residence. The property may not be leased, rented, or converted to commercial use. The buyer may not move from the assisted property, establish residency at another location, or allow others to live in the home rent-free. If the buyer does not maintain the home as their principal place of residence, the City may declare a default in the HOP loan and/or



independently seek to enforce the terms of the Homebuyer Agreement, including by requiring the owner move back into or sell the home.

If the property is not occupied by the buyer for a period in excess of one (1) month, without prior written approval from the City, the City will consider the buyer to have failed to maintain the property as their primary place of residence. Servicemembers called for active duty may request a waiver to this policy, in accordance with 50 U.S.C §3953(b). In the event of the homebuyer's uncured violation of the principal residency requirement, the homebuyer will be required to repay the City's entire investment in the property.

The buyer may retain ownership of another home, as long as that home is not the buyer's principal place of residence (i.e. a business is operated out of the home).

ENVIRONMENTAL REVIEW

Prior to the closing on a home purchase, the City will conduct an Environmental Review in accordance with required HUD standards.

MONITORING

The City will annually monitor projects to ensure that assisted buyers continue to occupy HOP-assisted homes as their primary residence. Buyers are required to cooperate with City monitoring efforts by providing a certification and/or other proof of ongoing principal residency as may be requested, on an annual basis.

REFERRAL PROCESS

PARTNER ORGANIZATIONS

The City identified partner organizations eligible to refer pre-qualified buyers for assistance through the City's Homeownership Opportunity Program via a Request for Qualifications (RFQ) process. LEAP Housing and NeighborWorks Boise were selected through this process and are eligible to refer potential buyers to the City for assistance.

INITIAL APPLICATION & ELIGIBILITY

The City expects that partner organizations will identify prospective buyers via an open, competitive application process. The partner organization completes the initial income-qualification process and assists the prospective buyer in securing a financial commitment for a primary loan (first mortgage).

REFERRAL PACKAGE

Partner organizations provide documentation to verify eligibility and underwriting standards for each prospective buyer referred for assistance through the City's Homeownership Opportunity Program. To prevent partner organizations and applicants from incurring potentially unnecessary costs, documents will be requested in three phases.

Phase 1

For the initial program eligibility review, partner organizations provide the following to the City:

- Income Verification (for everyone over 18 in the household)
 - Verification of Employment



- 2 months of paystubs
- Documentation of any other forms of income
- 2 months of bank statements
- 2 months of statements from any liquid assets

The City will verify that the household meets the income eligibility for the program and will confirm with the partner organization that funding is available to support the applicant's estimated assistance needs (as provided by the partner organization).

Phase 2

Following initial eligibility verification, partner organizations provide the following to the City for underwriting:

- First mortgage application and lender approval (URLA/1003)
- Purchase and Sales Agreement and Voluntary Sales Disclosure
- Underwriting Findings (DU, LP, or equivalent)
- Credit Report (not more than 6 months old)
- Earnest Money Commitment
- Certificate of Homeowner Education course completion (Finally Home! or other HUD-approved homeownership counseling course)

The City will review all materials and confirm that the applicant meets the program's underwriting standards before providing a letter of commitment with the amount of assistance conditionally approved.

Phase 3

Once the amount of buyer assistance is determined and conditionally approved by the City, partner organizations provide the following prior to closing:

- Property Appraisal (dated within six months of the City's commitment letter)
- Closing disclosures
- Homeowner's insurance
- Preliminary title
- Certificate of Occupancy (for new construction only)

LOAN CLOSING

Partner organizations coordinate the loan closing with an established title company.

Funding

The City wires the approved assistance to the home buyer's escrow account for each transaction. Wire transfer instructions must be received at least three (3) days prior to the closing date.

Document Disposition

The partner organization ensure that the title company records the Deed of Trust, Deed Restriction (if applicable) and Homebuyer Written Agreement with the Ada County Recorder's Office. After recording, the documents must be promptly returned to the Housing and Community Development team.

