

CITY OF NEW ORLEANS
CDBG HOMEBUYER ASSISTANCE PROGRAM
Underwriting Criteria Summary Sheet

Soft Second Mortgage Terms

- 10-year forgivable, 0% interest rate, no payment. Repayment of full amount becomes due if buyer sells/moves before the end of year 5th. After the 5th year of occupancy, 25% of the mortgage is forgiven. 15% per year is forgiven each subsequent year until the grant is fully amortized in year 10.
- No pre-payment penalty, no assumptions.
- The maximum amount of the Soft Second Mortgage cannot exceed 50% of the purchase price of the home.

Eligible Areas

- Prospective home buyers may purchase homes anywhere in Orleans Parish.
- Households earning up to **80%** of Area Median Income (AMI) may access up to \$35,000 in Soft Second Mortgage financing no matter where they purchase within Orleans Parish.

Determining the Soft Second Mortgage Loan Amount

- The Lender is required to “max out” affordability on the borrower’s first mortgage before determining the amount needed in a soft second loan.
- The “gross monthly income to house payment ratio” range (Housing Ratio) for a 1st mortgage product must be **30% to 33%** on front-end. **This calculation is Based on total HOUSEHOLD INCOME**
- Back-end up to **48%**
- If a homebuyer is given Gift Funds, those funds are limited to 10% of the purchase price.

Property Eligibility Requirements

- Single Family residential properties located in the City of New Orleans.
- Newly constructed homes or renovated homes.
- Homes must be in compliance with the City of New Orleans Housing Code, the International Residential Code and HUD’s Housing Quality Standards.

Homebuyer Eligibility Requirements and Obligations

- Employees of the City of New Orleans are eligible to participate in this program.
- To qualify as a First-time Homebuyer, the prospective buyer must not have held an ownership interest in a residential property within the past 3 years. (Exceptions are made for displaced homemakers.)
- The homebuyer is required to occupy the home as his/her primary residence until the 10-year forgivable period has expired. Buyers who move or sell prior to expiration of the

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10-year forgivable period will be obligated to repay all or a prorated portion of the soft second loan.

- All homebuyers will be required to complete a 12-hour Homebuyer Education course. A list of organizations that are certified by the Louisiana Homebuyer Training Collaborative, and approved for by the Soft Second Mortgage Program, to deliver the required training and verification of completion can be found at www.gnoha.org
- \$350 Homebuyer Training Agency Stipend must be paid at closing. (This stipend is not related to fees paid by buyer for homebuyer training class)
- Homebuyers must contribute a minimum of 1% of the sale price or \$1,500 (whichever is less) *and* must have liquid assets in reserve equal to **1 month** of proposed household expenses (see HUD 1003 form) after the payment of closing costs.
- Homebuyers who qualify to receive Purchase Assistance via a Soft Second Mortgage Loan must maintain Homeowner's Insurance and Flood Insurance for the full-replacement value for the duration of the loan term. The City of New Orleans is to be listed as "Loss Payee" on both policies and evidence of the same will be required prior to closing.

Closing Costs Assistance

- Homebuyers earning up to 80% of AMI will also be eligible to receive **up to \$5,000** in Closing Cost Assistance.
- **CDBG guidelines only allow us to pay 50% of the total closing cost.**
- Homebuyers who are eligible for closing cost assistance and have liquid assets that exceed 12 times their proposed household payment (as noted on the HUD 1003 form) plus 1% of the sale price or \$1,500 whichever is less, will be required to contribute excess funds toward closing costs.

First Mortgage Loan and Closing Fees Pricing Standards

- Lenders may charge up to (1) point origination and up to one (1) discount point plus other necessary fees considered reasonable and customary per FHA.
- Interest rate pricing on 1st mortgages loans may not be more than 2% above the current market rate published by Freddie Mac Weekly Mortgage Market Survey (WMMS), for single family fixed rate loan programs, effective for the one week period after publication of the WMMS. The applicable rate may be obtained from www.freddiemac.com
- Prospective buyers may opt to pay "points" to buy down the interest rate.