

## **DIRECT 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 5<sup>th</sup>. 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 \$65,000 in Soft Second Mortgage financing no matter where they purchase within Orleans Parish.
- Households above 80% of AMI are provided with incentives for purchasing homes in Placed-Based Strategic Areas. (See [www.nola.gov/softseconds](http://www.nola.gov/softseconds) for maps of Place Based Strategy Neighborhoods).

#### **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%. **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.
- The total maximum grant a homebuyer will be eligible to receive as a Soft Second Mortgage will depend upon the homebuyer’s household income, family size and need. See Funding Charts which show funding maximums per household income and family size. [www.nola.gov/softseconds](http://www.nola.gov/softseconds)

#### **Property Eligibility Requirements**

- One-two unit 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.
- Road Home Option 2 or Option 3 households are not eligible to participate in this program..
- Option 1 recipients are eligible if they met all the terms of their Road Home Covenant, sold the property and not owned a home in the past 3 years.
- 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 household income may not exceed 120% of the area median income (AMI). (See income charts.)
- 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 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 graduate from 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 certificate of completion can be found at [www.nola.gov/softseconds](http://www.nola.gov/softseconds)
- \$350 Homebuyer Training Agency Stipend must be paid at closing and also \$350 Landlord Training if applicable.(This stipend is not related to fees paid by buyer for homebuyer training class)
- Homebuyers purchasing duplex units will be required to complete Landlord Training Classes from one of the approved trainers mentioned above.
- 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 2 months 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 may also be eligible to receive up to \$10,000 in Closing Cost Assistance.
- Homebuyers earning between 81% and 90% of AMI may also be eligible to receive up to \$5,000 in Closing Cost Assistance.
- 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](http://www.freddiemac.com)
- Prospective buyers may opt to pay “points” to buy down the interest rate.
- Closing cost fees may not exceed those as listed in the guidelines provided to approved Closing Agents by the City of New Orleans

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