



# **COMMUNITY DEVELOPMENT**

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## **CITY OF DURHAM**

## **Down Payment Assistance Program for Low Income Homebuyers**

### **SECTION A: PROGRAM POLICIES**

#### **PROGRAM OBJECTIVE**

The City of Durham Down Payment Assistance (DPA) Program provides assistance to low-income persons and families for the purchase of a home, to be used as the primary residence, within the geographic boundary of the City of Durham. The objective of the program is to:

- provide thorough knowledge of homeownership through homebuyer education and counseling,
- ensure that the applicant is ready to acquire housing and can sustain homeownership, and
- assist with funding gaps by providing down payment and closing cost assistance.

These objectives are accomplished by working with local lenders and the City of Durham's contracted DPA program administrator.

The current contracted DPA program administrator is:

**Community Home Trust**

PO Box 2315

Chapel Hill, NC 27515

p. 919-967-1545

[Community Home Trust - Affordable Housing in North Carolina](#)

## ELIGIBILITY REQUIREMENTS

### First-Time Homebuyer Status

The applicants must be a first-time homebuyer or cannot have owned a home within the last three (3) years – (Code of Federal Regulations 24 CFR 572.5). An exception to the three-year requirement may be made in the case of U.S. military veterans.

### Real Estate Ownership

The applicant may not own any other real property or have an ownership interest in any real estate at the time of closing (i.e. vacation homes, timeshares, and vacant land). An exception may be granted if someone holds partial ownership in a property as a result of an estate and it has not been their primary residence. An exception may also be granted in certain situations that involve real estate ownership in foreign nations. The property will be considered an asset and any income derived from the property will be calculated towards qualifying income.

### Income Limit

Total household income cannot exceed 80% of the area median income (AMI) for the Durham-Chapel Hill HUD Metro Fair Market Rent (FMR) Area as published annually by HUD for the HOME program. Current AMI limits can be found here: <https://www.huduser.gov/portal/datasets/HOME-Income-limits.html>. The limits for 2021 are shown below.

#### 80% AMI Threshold for Durham-Chapel Hill HUD Metro FMR Area for 2021

Household Income as % of AMI	Household Size (# Persons)							
	1	2	3	4	5	6	7	8+
80% AMI	\$48,400	\$55,300	\$62,200	\$69,100	\$74,650	\$80,200	\$85,700	\$91,250

### Tenure

Applicants must have worked or resided in the City of Durham for at least 12 months prior to applying for program assistance.

### Liquid Assets

Liquid Assets are limited to \$20,000.00 (does not include pension, IRA, 401K, 529 plans, Burial Accounts, or life insurance with a cash value).

### Student Status

A household that contains a full- or part-time student at an institution of higher education is eligible to participate in the program if the student is residing with their parent or parents who are not students.

Others households that contains a full- or part-time student at an institution of higher education may be eligible unless ALL of the following statements are true for the student(s):

- Under the age of 24;

- Is not a veteran of the United States military;
- Is unmarried (if married, the couple cannot live apart from each other);
- Does not have a dependent child who resides with the household member at least 50% of the time;
- Is not a person with disabilities receiving Section 8 assistance as of November 30, 2005;
- Is not otherwise individually eligible or has parents who (individually or jointly) are not income-eligible to receive Section 8 assistance, unless the student can demonstrate his or her independence from his/her parents as defined in the Federal Register (71 FR 18145).

### Work Status

Each household should contain at least one individual who works a minimum of 32 hours per week. Exceptions will be made in the following instances:

- An individual that is disabled, yet has sufficient income to meet other affordability guidelines
- An individual is aged 65 or older
- An independent contractor or self-employed individual that has intermittent or seasonal work, that otherwise meets program guidelines
- An individual who is the primary caretaker of either (1) a child under the age of 12, or (2) a person who requires care throughout the day.

Additional exceptions may be granted by the designated City of Durham project manager for understandable reasons that can be adequately documented.

### Eligible Property

Household must purchase a property located within the geographic boundaries of the City of Durham. Eligible property types include:

- New construction
- Pre-existing construction
- Single-family homes
- Condominiums
- Townhomes
- Manufactured Housing (newly constructed)

As stated in the Code of Federal Regulations 24 CFR 92.251(e), newly constructed manufactured housing must be on a permanent foundation. "Permanent foundation" means a foundation system of supports that is capable of transferring all design loads to the ground and meets the requirements of Code of Federal Regulations 24 CFR 203.43f(c)(i).

### Primary Residence

The applicant must occupy the home as a principal residence during the loan term or the HOME period of affordability; whichever is greater. Sale or rental of the property will be an event of default of the loan terms.

### Conditions of First Mortgage

Only fixed rate mortgages are allowed. Adjustable-rate mortgages are not allowed. No owner financing will be allowed.

## FINANCIAL ASSISTANCE

### Funding Amount(s)

Eligible homebuyers may receive up to \$20,000 for down payment and closing cost assistance in any area within Durham city limits. The City's financing cannot exceed 20% of the purchase price.

Under certain conditions, homebuyers may be eligible to borrow an additional amount up to \$1,000 to address repairs that are required to meet the City's Minimum Housing Code and that the seller refuses to make. The decision to provide this additional funding will be made on a case-by-case basis. Repair funds will be held by the closing attorney and released to the buyer upon submission of receipts and documentation that repairs satisfy City Minimum Housing Code.

### Terms of City Assistance

City funds are provided as a forgivable loan with 0% interest rate and a 15-year term. The loan is forgiven at the rate of 10% per year starting in year 6 of the loan term. Combined mortgages cannot exceed 105% of the appraised value of the property being purchased.

### Minimum Loan Amount

The minimum amount of assistance allowable is \$10,000.00.

### Participant Contribution Requirement

The applicant must contribute a minimum of \$1,000 of their own money. Applicant contribution will be applied toward any paid up-front expenses first. The applicant may be required to contribute additional funds for closing costs and other expenses.

### Fund Availability

Funds are provided by the City and the United States Department of Housing and Urban Development (HUD). HUD funds are awarded to the City of Durham through the HOME Investment Partnership and the Community Development Block Grant (CDBG) Programs. Funds are processed and given on a first come, first served basis to eligible applicants until program funding is depleted.

HOME and CDBG funds will only be used for properties built after 1978. City funds will be used for properties built in any year.

### Gift Funds

The applicant may use gift funds from family or friends if the amount does not exceed \$10,000 and gift funds are applied in their entirety against the purchase price and/or closing costs. The applicant must provide an executed gift letter and all additional supporting documentation required by the first mortgage lender.

The City of Durham project manager may approve exceptions to the gift fund limit for applicants who have exigent circumstances such as disabilities that can be adequately documented.

### Other Funding Sources

Any other funding sources used in the purchase transaction must have a firm, written commitment, and must be disclosed on the offer to purchase contract and/or residential mortgage application or other approved written documentation with all terms and conditions disclosed.

Durham Down Payment Assistance Program funds may be used in conjunction with other programs (example: North Carolina Housing Finance Agency's Community Partners Loan Pool). Applicants are expected to maximize funding available from other sources before utilizing City of Durham funds.

## CALCULATION OF INCOME

### Determining Annual Income

The City uses the HUD Part 5 definition of annual income for the Down Payment Assistance Program. Annual income is defined as the gross annual income of all adults expected to live in the residence being financed.

Income sources used for establishing the annual gross income of the applicant's household shall be determined in accordance with the Code of Federal Regulations 24 CFR 5.609 (which also lists income "inclusions" and "exclusions"). All income is projected for 12 months to calculate income compliance (regardless of its likelihood to continue). The City encourages the use of the HUD CPD Income Eligibility Calculator for calculating income (<https://www.hudexchange.info/incomecalculator/>).

### Verification of Income

Written verification of all household members over the age of 18 is required and will be used to determine total household annual income. Household members with no income will be asked to sign an affidavit of no income. Household income will not be re-verified at the time of closing unless more than six months have elapsed since income eligibility was determined. The City will follow the Technical Guide for Determining Income and Allowances for the HOME Program (<https://files.hudexchange.info/resources/documents/HOMEGuideForIncomeAndAllowances.pdf>) for documentation requirements. In certain circumstances the City will yield to the mortgage lender requirements.

### Temporary Income

For temporary income, the stability and the durability of the income are considered. The stability would be if the income has been received for at least two years, and the durability would be documentation that the income will continue. The temporary agency will be required to verify that the income will continue. Seasonal part-time or second job income may be considered "uninterrupted" if the applicant has worked the same job "in season" for the last two years and expects to be rehired. The Technical Guide referenced in Section 4.2 recommends examining income documentation that covers the entire previous 12-month period for workers whose annual employment does not conform to a 12-month schedule (page 6).

## GENERAL PROGRAM REQUIREMENTS

### Homebuyer Education Class

All applicants must receive housing counseling before receiving Homebuyer DPA Program Funding [Code of Federal Regulations 24 CFR §92.254(a) (3)]. Applicant must complete a minimum of 7.5 hours of homebuyer education, which may either be in-person or in webinar format. In case where there are co-applicants, only one co-applicant is required to complete the homebuyer education.

Homebuyer education must be provided by the DPA Program Administrator or another certified HUD counseling agency. Online education may be provided using Fannie Mae's HomeView course and must be accompanied by 2 hours of small group or individual education provided by the DPA Program Administrator to ensure the material was learned adequately and to ensure that the applicant has the opportunity to ask questions. Applicants who complete education more than 12 months prior to closing must either re-take a homebuyer education course or participate in a refresher session with a certified housing counselor.

### Approval of Lenders

Applicants must use a lender that has been approved by the City of Durham. In order to be approved to participate in the DPA program, lenders must attend an information session (either group or individual) offered by DPA Program Administrator.

### Real Estate Representation

Applicants must have a buyer's agent, preferably with experience working with down payment assistance programs.

### Non-Discrimination

In the delivery of City programs, services or activities there shall be no discrimination against any member of the public based on sex, race, gender, color, ethnicity, national origin, age, familial status, marital status, military status, political affiliation, religion, physical or mental disability, genetic information, sexual orientation, gender expression, or gender identity.

### Disabilities

A person with a disability may receive an auxiliary aid or service to effectively participate in city government activities by contacting the ADA Coordinator, voice 919-560-4197, fax 560-4196 or [ADA@durhamnc.gov](mailto:ADA@durhamnc.gov), as soon as possible but no later than 48 hours before the event or deadline date.

### Translation

For persons requiring language assistance to effectively participate in City Council Meetings and Work Sessions, contact the City Clerk's Office at 919-560-4166, send a fax to 919-560-4835 or email [CityClerk@durhamnc.gov](mailto:CityClerk@durhamnc.gov) to request interpretation and/or translation services as soon as possible but no later than 48 hours before the event or deadline date.

## INSPECTIONS

### Minimum Housing Inspection

The purpose of the minimum housing code program inspection is to ensure the property presents no issues(s) that pose a health and safety threat to the applicant(s) upon purchase of the property. The

inspection is basic in nature, and in no way replaces a home inspection. It is recommended to each applicant to obtain a home inspection.

Properties must be inspected by a City of Durham inspector for compliance with the City of Durham's Minimum Housing Code and fill out the required check sheet documenting property conditions. Unless otherwise approved by the City of Durham Community Development Department, the property must comply with Minimum Housing Code Standards prior to loan closing. If HOME funds are being used, the City will inspect for compliance with HOME property standards.

#### [Home/Pest/Septic Inspections and Home Warranties](#)

Home inspections, pest inspections, radon inspections, and septic inspections are eligible expenses and may be covered by program funds, if paid at closing. One-year home warranties are also an allowable program expense, if paid at closing. It is the responsibility of the applicant to request and schedule any inspections. Repairs required to meet Minimum Housing Code must be documented as completed prior to closing.