



HOMEOWNERSHIP ASSISTANCE PROGRAM DESIGN CITY OF FREDERICKSBURG, VIRGINIA

OFFICE OF PLANNING AND COMMUNITY DEVELOPMENT

Adopted by City Council
on May 24, 1994

Amended February 28, 1995
July 25, 1995
May 13, 1997
August 11, 1998
June 22, 1999
March 13, 2001
July 14, 2009

INTRODUCTION

The City of Fredericksburg promotes homeownership opportunities through its Community Development Block Grant (CDBG) programs. A portion of the City's CDBG allocation is used to provide direct homeownership assistance to City residents.

The administration of the City's Homeownership Assistance Program is described in this program design.

I. PROGRAM PURPOSE

The City of Fredericksburg recognizes the relationship between homeownership and neighborhood stability and has identified the expansion of homeownership opportunities as a program activity in its Consolidated Plan.

The Homeownership Assistance Program was developed to expand homeownership opportunities available to City residents of low and moderate income status, as defined by the U.S. Department of Housing and Urban Development (HUD). Homeownership assistance will be provided to qualifying households in the form of either payment of specific closing costs and/or up to 50 percent of down payment costs. Assistance is also available to qualifying households in the form of either the payment of a portion of an existing loan or closing costs to accomplish a refinance of an adjustable/high-rate mortgage to a conventional fixed-rate or equivalent mortgage.

II. ELIGIBILITY

The following criteria must be met in order for a household to be eligible to participate in the City's Homeownership Assistance Program.

A. Income Eligibility

Households, (individuals or families residing in one residence) must have a total household income of 80 percent of area median income or below, adjusted according to household size. The most current Section 8 income limits, as provided by HUD (24 CFR 5.609), will be used to determine applicant qualification.

Income eligibility is determined by verifying the income and asset information provided by applicants seeking assistance. Total household income includes income received by all household members over age 18 from all sources, including wages, salaries, interest income, investment income, social security, payments in lieu of earnings (such as employment compensation and severance pay), welfare assistance, and additional sources. Real property assets shall be computed at a rate of fifteen percent (15%) of assessed value. For all other assets not specified elsewhere, income shall be computed at a rate of five percent (5%) of current market value unless the actual income is a greater percentage, in which case the greater percentage shall be used.

B. Property Eligibility

Homeownership assistance will be provided to City residents towards the purchase or mortgage refinance of a primary residence located in the City of Fredericksburg.

III. ADDITIONAL REQUIREMENTS

A. Homeownership Counseling (Optional)

Applicants for homeownership assistance are encouraged to participate in available homeownership counseling. Homeownership counseling assists prospective homebuyers to determine whether homeownership is a commitment they are prepared to undertake and also helps to clarify the home purchasing process.

B. Good Faith Estimate

Applicants are required to submit a good faith estimate from a financial institution willing to finance the purchase/refinance of their primary residence. The good faith estimate provides a detailed breakdown of the costs involved in the purchase/refinance of the home, and allows the City to determine the amount of assistance required by the applicant which will also be allowed by the lending institution. Submission of the good faith estimate requires applicants to have already initiated contact with a financial institution regarding the purchase of a specific property.

C. Appraisal

In the case of a refinance proposal, applicants must submit a copy of the appraisal required by the lender to determine the value of the mortgaged home.

IV. AVAILABLE FINANCIAL ASSISTANCE

The City will provide monetary assistance to LMI households toward the payment of an existing loan, specific closing costs and/or up to 50 percent of the down payment costs. This loan will be secured by a mortgage lien and promissory note valued at the amount of assistance provided.

If the purchaser still owns the property at the end of a five- year period, all obligations to the City shall be considered forgiven. If the home is sold within five years of purchase, however, the amount of assistance, plus ten percent interest, plus a portion of any appreciation, shall become due to the City. The following formula shall be used to determine the City's share of the property at the time of sale.

$$\frac{\text{City Loan}}{\text{Total Price}} \times \text{Fair Market Value} = \text{Amount Due City Upon Sale}$$

The City loan is the principal and the interest due the City at the time of sale. The total price is the purchase price of the house. The fair market value is the assessed value of the property at the time of sale.

V. LOAN LIMITS

Assistance is limited to the following amounts:

Income of Household	Criteria	Loan Limit
Category 1 (lowest)	No income - 70% of Threshold *	\$10,000
Category 2	70% - 80% of threshold	\$ 7,000
Category 3	80% - 90% of threshold	\$ 5,000
Category 4	90% - 100% of threshold	\$ 3,000

*Threshold is defined as 80 percent of area median income for a specific household size per Section 8 income limits as published annually by HUD.

VI. APPLICATION PROCESS AND PROCEDURES

Applications will be accepted on a first come, first served basis in the Office of Planning and Community Development, Room 209, City Hall. Projects will be accomplished as funds allow. A waiting list will be established and maintained in the above office for projects that are not funded immediately. As additional funds become available, applicants from the top of the list will be reviewed for eligibility and funding. The City reserves the right to take an application out of sequence if available funds are insufficient to fund a project ahead of it on the waiting list.

VII. LEAD-BASED PAINT PROCEDURES

Lead-based paint hazard reduction will be accomplished according to applicable HUD regulation.

Federal regulations described in 24 CFR Part 35 Subpart K require that a lead hazard evaluation be carried out for all properties built before 1978 that are receiving direct homeownership assistance. If potential lead-based paint hazards exceeding de minimus levels are identified, paint stabilization utilizing lead safe work practices is required. All homes which contain lead-based paint hazards and require paint stabilization must pass a clearance test performed by a certified professional prior to the issuance of closing costs and/or down payment assistance.

De Minimus Levels allow for an exception to Safe Work Practices and Clearance testing and is defined as work which disturbs less than:

- 20 square feet on exterior surfaces;
- 2 square feet in any one interior room or space; or
- 10 percent of total surface area of interior or exterior component type with a small area (sills, baseboards, etc.)

Lead Hazard Evaluation. A risk assessment, paint testing or a combination of these to determine the presence of lead-based paint hazards or lead-based paint.

Paint Stabilization. Paint stabilization means to repair any defect in the substrate, or any defect in a building component, that is causing the paint deterioration, to remove all loose paint and other loose material from the surface to be treated using lead-safe work practices, and to apply a new protective coating of paint.

Clearance. An activity conducted following lead-based paint hazard reduction activities to determine that the hazard reduction activity is complete.

Property Inspection

For all homes built prior to 1978, a visual assessment inspection will be performed by the Program Manager (a copy will be provided to the applicant). If potential lead-based paint hazards are identified, a certified professional will conduct a lead hazard evaluation to determine the presence of lead-based paint. Costs associated with the lead hazard evaluation will be paid for through the Direct Homeownership Assistance Program (no more than one property will be evaluated per eligible applicant/household).

In accordance with Federal regulations, residents of housing units constructed prior to 1978 must receive the following two notices: *Lead Hazard Information Pamphlet and Disclosure, "Protect Your Family From Lead in Your Home"* and the *Notice of Hazard Evaluation*. Applicants must sign an acknowledgement of receipt for these items. The Program Manager must notify occupants about the results of the lead hazard evaluation within 15 days after the results have been determined.

Paint Stabilization

Where the lead-based paint hazards and/or deteriorated paint above de minimis levels are identified through a lead hazard evaluation, the homeowner or buyer are required to adhere to the recommendations for paint stabilization prior to the issuance of closing cost and/or down payment assistance. The cost of paint stabilization is the responsibility of the homeowner or homebuyer (as privately negotiated) and not the Direct Homeownership Assistance Program.

The repair contractor must either be supervised by a certified lead paint abatement supervisor or be certified in lead safe work practices (has successfully complete one of several courses approved by HUD). A list of contractors who are under the supervision of a certified lead paint abatement supervisor can be located from the State or EPA Lead Control Office. As a convenience to the applicant, the Program Manager can provide a list of certified contractors available through the City's prequalified bidders list. Contractors who are certified to perform the work must be able to document that they have successfully completed a qualifying course. Examples of such courses follow:

1. An accredited lead abatement supervisor course.
2. An accredited lead-based paint worker course.
3. The Lead-Based Paint Maintenance Training Program. developed by the National Environmental Training Association for EPA and HUD.
4. The Remodelers and Renovators Lead-Based Paint Training Program prepared by HUD and the National Association of the Remodeling Industry (NARI).
5. Any course approved by HUD after consultation with EPA for this purpose.

If the property is occupied, occupants and their belongings must be protected during the lead-based paint stabilization work. If the occupants are relocated during the work, documentation of this must be provided to the Program Manager.

Evidence that the work was performed by a certified contractor, copies of the contract, and final scope of work must also be submitted to the Program Manager. In addition, a *Notice of Lead Hazard Reduction* must be signed by the property owner and buyer within fifteen (15) days of the completion of the paint stabilization work.

Clearance

All homes which contain lead-based paint hazards and require paint stabilization must pass a clearance test performed by a certified professional prior to closing costs and/or down payment assistance being provided. A minimum of one hour after the conclusion of paint stabilization activities, a clearance test will be conducted. Clearance tests must be conducted by a certified professional. Certified professionals include certified Risk Assessors, Paint Inspectors and licensed Clearance Technicians. One test will be paid for and administered by the Direct Homeownership Assistance Program for all homes where paint stabilization activities are required (no more than one property will be tested per eligible applicant/household). If the clearance test fails, all costs associated with additional paint stabilization, mitigation, and/or abatement plus additional clearance tests will be at the expense of the applicant, home seller, or other group and not through the Direct Homeownership Assistance Program.

General Disclosure Notification

Per the Federal Lead Disclosure Rule (24 CFR Part 35, Subpart A), the City of Fredericksburg is notifying all potential homeowners of their option to request a lead hazard evaluation from the seller of the housing unit to be purchased with assistance through the Direct Homeownership Assistance Program. This notification is to make you aware of the following items:

1. The seller is required to provide a buyer with a ten (10) day opportunity (or mutually agreed upon period) to conduct a risk assessment or inspection for the presence of lead-based paint and/or lead-based paint hazards.
2. A buyer has the option of waiving the opportunity to conduct a risk assessment or inspection for the presence of lead-based paint and/or lead-based paint hazards.

3. The option to test for lead-based paint and/or lead-based paint hazards must be provided **before** the buyer is obligated under any contract to purchase housing.
4. If a certified risk assessor determines that lead-based paint and/or lead-based paint hazards are present in the unit, the homebuyer has the option of voiding a purchase contract.
5. All costs associated with the risk assessment or inspection for possible lead-based paint and possible hazards is the responsibility of the property owner or homebuyer (as privately negotiated) and **not** the Direct Homeownership Assistance Program unless the unit was constructed prior to 1978, the Program Manager has conducted a visual assessment, identified that potential lead hazards, and concluded that further evaluation is necessary. (See the Property Inspection section.)



CITY OF FREDERICKSBURG, VIRGINIA

**DIRECT HOMEOWNERSHIP ASSISTANCE PROGRAM
APPLICATION**

PART A: APPLICANT IDENTIFICATION

APPLICANT NAME _____

CURRENT ADDRESS _____

HOME PHONE _____ WORK PHONE _____ CELL PHONE _____

SINGLE _____ MARRIED _____ DIVORCED _____ (yr _____) WIDOWED _____ (yr _____)

HOW DID YOU HEAR ABOUT THIS PROGRAM? _____

PART B: PROPERTY AND LENDER IDENTIFICATION

ADDRESS OF PROPERTY TO BE PURCHASED _____

COST OF PROPOSED PROPERTY _____

NAME OF MORTGAGE LENDER _____

AMOUNT OF CLOSING COST/DOWN PAYMENT REQUIRED BY THE MORTGAGE LENDER
\$ _____

PART C: HOUSEHOLD COMPOSITION

MEMBER #	NAME	RELATIONSHIP	BIRTHDATE	SEX	RACE*	ETHNICITY*	DISABLED?
1							
2							
3							
4							
5							
6							

*RACE = White (W), Black/African American (B/AA), Asian (A), Native American/Alaskan (NA/A),
Hawaiian/Pacific Islander (H/PI), Black/African American and White (B/AA+W),
Asian and White (A+W), Native American/Alaskan and White (NA/A+W),
Native American/Alaskan and Black/African American (NA/A+B/AA), Other (O)

*ETHNICITY = Hispanic (H) or Non-Hispanic (NH)

*FOR STATISTICAL PURPOSES ONLY (based on HUD definitions)

PART D: ANNUAL INCOME

DO ANY HOUSEHOLD MEMBERS RECEIVE ANY TYPE OF INCOME INCLUDING SOCIAL SECURITY, JOB, ADC, RETIREMENT, UNEMPLOYMENT COMPENSATION, EARNED INCOME, TAX CREDIT, ETC.? YES _____ NO _____

IF YES, LIST BELOW:

MEMBER #	SS#	SOURCE OF INCOME	TOTAL YEARLY INCOME

TOTAL (GROSS ANNUAL INCOME) _____

PART E: ASSETS

DO YOU OR ANY MEMBER OF YOUR HOUSEHOLD HAVE ANY ASSETS SUCH AS CASH ON HAND, CHECKING ACCOUNTS, SAVINGS ACCOUNTS, BONDS, STOCKS, REAL ESTATE, BURIAL PLOTS, ETC.? YES _____ NO _____

IF YES, LIST BELOW:

MEMBER #	DESCRIPTION	AMOUNT

TOTAL AMOUNT _____

PART F: ATTACHMENTS

HAVE YOU COMPLETED HOMEOWNERSHIP COUNSELING? YES _____ NO _____
IF YES, PLEASE ATTACH THE CERTIFICATE TO THE APPLICATION.

DO YOU HAVE A GOOD FAITH ESTIMATE FROM YOUR LENDING INSTITUTION?
YES _____ NO _____*

IF YES, PLEASE ATTACH THE ESTIMATE TO THE APPLICATION.

***NOTE: APPLICATION CANNOT BE PROCESSED WITHOUT A GOOD FAITH ESTIMATE**

PART G: CERTIFICATION

I CERTIFY THAT THE INFORMATION THAT I HAVE PROVIDED ON THIS APPLICATION IS TRUE IN EVERY RESPECT AND THAT IT CORRECTLY REFLECTS MY FINANCIAL CONDITION. I AUTHORIZE THE CITY TO MAKE WHATEVER CREDIT INQUIRIES ARE DEEMED NECESSARY, EITHER IN EVALUATING THIS APPLICATION OR IN THE COURSE OF REVIEW OR COLLECTION OF ANY CREDIT EXTENDED IN RELIANCE ON THIS APPLICATION. I AUTHORIZE AND INSTRUCT ANY PERSON, CONSUMER REPORTING AGENCY, OR AGENCY OF LOCAL, STATE, OR FEDERAL GOVERNMENT TO COMPILE AND FURNISH THE CITY ANY INFORMATION IT MAY HAVE OR OBTAIN IN RESPONSE TO SUCH CREDIT INQUIRIES. I AGREE THAT THIS APPLICATION IS THE PROPERTY OF THE CITY, WHETHER OR NOT THE CREDIT IS EXTENDED.

SECTION 1001 OF TITLE 18 OF THE UNITED STATES CODE MAKES IT A CRIMINAL OFFENSE TO MAKE A WILLINGFULLY FALSE STATEMENT OR MISREPRESENTATION TO ANY DEPARTMENT OR AGENCY OF THE UNITED STATES AS TO ANY MATTER WITHIN ITS JURISDICTION.

APPLICANT SIGNATURE

DATE

APPLICANT SIGNATURE

DATE