

OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT
DOWN PAYMENT ASSISTANCE PROGRAM POLICY GUIDELINES

I. Program Description

The Sarasota Down Payment Assistance Program provides a Shared Appreciation Mortgage Loan (SAM) to low-income first-time homebuyers by paying a portion of their down payment and closing costs associated with the purchase of a home. The funds must be used to purchase an existing single-family residence or condominium.

II. Eligible Applicants

To be eligible to receive funding, the applicant must meet the following conditions:

1. The total household income of all residents that will reside in the home must be less than 80% of median income for Sarasota County as determined by the Department of Housing and Urban Development (HUD), adjusted by household size.
2. The applicant must have entered into a real estate contract to purchase an eligible single family home or condominium.
3. The applicant must have qualified for a first mortgage loan from a mortgage lender to purchase the home under contract.
4. The applicant cannot have owned a home within the last three years. Exceptions will be made under the following conditions:
 - a. The applicant is a single parent who was divorced during the past three years and has children under the age of 18 who will live in the home. An applicant who owned a home in fee simple title after the divorce will remain ineligible for assistance.
 - b. The applicant is a victim of documented domestic abuse who owned a home with the abusing party.
5. The applicant must have attended and completed a qualified community homebuyer education class presented by a HUD approved counseling service.
6. The applicant must contribute a minimum of \$2,150 (including closing costs and prepaids) toward the purchase of the home. Gift funds may be considered eligible toward this minimum contribution.
7. The applicant must be a U.S. Citizen or a permanent resident alien.
8. The applicant must live in the home receiving assistance within 60 days after closing.

III. Program Requirements

All program funds must be used to assist eligible homebuyers purchase a primary residence in Sarasota County. All funds must be used in compliance with the State Housing Initiatives Partnership (SHIP) or HOME rules, depending upon the funding source.

IV. Uses of Program Funds

Funds may be used for the following eligible uses:

1. The down payment funds necessary to qualify for a mortgage loan to acquire a single-family residence or condominium.
2. Closing costs and prepaid expenses.
3. Funds to reduce the amount of the applicant's first mortgage obtained in conjunction with this program.

V. Eligible Properties

All homes purchased using Down Payment Assistance Program funds must meet the following requirements:

1. The home must be located in Sarasota County.
2. The home must be a single-family residence or condominium that has a certificate of occupancy.
3. The sales price of a home may not exceed \$150,000.
4. The home may not be a mobile home as defined by state law.
5. The home being purchased must meet Section 8 Housing Quality Standards at the time of closing.
6. A 12-month home warranty must be obtained.

VI. Maximum Assistance

The maximum amount of Down Payment Assistance Program funds that may be provided to any one applicant is \$20,000. Applicants may borrow any amount up to the maximum allowable in \$1,000 increments.

The maximum amount of closing costs and prepaid expenses paid through this program may not exceed \$4,375 plus the cost of a one-year home warranty policy. The Director of the Office of Housing and Community Development is authorized to establish items that may be eligible to be paid as closing costs and to limit the amount to be paid for those closing costs.

The difference between the loan amount and the amount used for closing costs and prepaid expenses will be used to provide the necessary down payment needed to qualify for the mortgage to purchase the eligible home. Any balance will be used to reduce the amount of the first mortgage. In addition to receiving Down Payment Assistance funds, applicants may receive Impact Fee and/or Rehabilitation Assistance, provided they qualify for those programs.

VII. Terms and Conditions

The program assistance will be in the form of a Shared Appreciation Mortgage Loan (SAM) that will be in the second position. The SAM may be a third mortgage if the family is receiving other down payment assistance with program rules requiring that it be placed in the second position. Repayments will be deferred until the home is sold, transferred, no longer occupied as the primary residence of the applicant or on the 30th anniversary of the execution of the note and mortgage, whichever occurs first.

At the time the applicant sells, transfers, no longer lives in the property, or on the 30th anniversary of the execution of the note and the mortgage, the applicant must repay the original loan amount and, in addition, a share of appreciation in the value of the property, if any.

1. Definitions

- a. **Approved Final Value** – The value of the home that will be used by the Office of Housing and Community Development to establish the Net Appreciation. The Approved Final Value will be:
 - The contract sales price provided it is no less than 90% of the appraised value as provided by an independent appraiser. The Office of Housing and Community Development reserves the right to hire its own independent appraiser, at its cost, in the event it deems that the appraisal furnished by the seller does not accurately reflect the market price.
 - The appraised price when the contract sales price is less than 90% of the independent appraisal or when the family is not selling the property.
- b. **Eligible Improvements** – Capital Improvements in excess of \$3,000.00 that increase the value of the home. Eligible Improvements will not include maintenance items. All Eligible Improvements must be approved by the Office of Housing and Community Development in advance of construction. The Director of the Office of Housing and

Community Development is authorized to establish the capital items that qualify as an Eligible Improvement as well as how the value of the Eligible Improvements will be established.

c. Net Appreciation – When the property is being sold, the Net Appreciation will be the difference between the Approved Final Value and the sum of:

- The original purchase price
- The Eligible Improvements
- 10% of the Approved Final Value

When the property is not being sold, the Net Appreciation will be the difference between the Approved Final Value and the sum of:

- The original sales price
- The Eligible Improvements
- 5% of the Approved Final Value

2. SAM Repayment

The SAM repayment will be the original loan amount plus a portion of the Net Appreciation. The portion of the Net Appreciation that must be repaid will be the percentage of the original purchase price provided by the Down Payment Assistance Loan. In the event there is no Net Appreciation or Net Appreciation is a negative number, the amount of the original loan will still be due and payable.

For example, if the Down Payment Assistance Loan represented 25% of the original purchase price, the share of Net Appreciation due is 25%.

The first mortgage must be held by a mortgage lender (owner financing is not eligible under this program). The first mortgage must be a fixed rate loan not to exceed $\frac{3}{4}\%$ over FNMA or FHLMC 60-day delivery rate as of lock-in date. Balloon and negatively amortized first mortgages are not eligible.

The buyer or seller may not pay origination/points/discount fees in excess of one point.

For individuals participating in a Regional or State Bond Program, the program assistance may be in the form of a 3rd Mortgage and the limit on origination/points/discount fees will be waived to permit

the applicant to receive additional down payment assistance through the bond program.

VIII. Application Process

Applications will be accepted when funds are available and following public advertising on a first come, first served basis until all funds are expended. The homebuyer may either apply directly with the Office of Housing and Community Development to obtain a pre-approval or apply through any mortgage lender.

IX. Evaluation and Underwriting

The Director of the Office of Housing and Community Development is authorized to approve eligible applicants in conformance with the SHIP and / or HOME regulations consistent with these policy guidelines.

X. Closing Process

When all conditions have been met, the Office of Housing and Community Development will coordinate a reasonable closing date and time with the first mortgage lender and the closing agent. A proposed HUD-1 closing statement must be submitted to the Office of Housing and Community Development for review to determine the proper allocation of funds. The Office of Housing and Community Development will prepare the second mortgage documents and send them to the closing agent along with the Down Payment Assistance Program check.

XI. Administration of the Program

The Director of the Office of Housing and Community Development will administer the Down Payment Assistance Program consistent with these policies. In the event an affected party believes that the Office of Housing and Community Development is not interpreting these policies correctly, the affected party must request a meeting with the Director to discuss and seek resolution of the conflict.

If, following a meeting with the Director, the issue remains unresolved; the affected party will have the ability to appeal the Director's decision to the City / County Management Staff. The written appeal must be filed with the Director within 15 days of the meeting with the Director. The affected party must, in writing, describe the issue and the reason they believe the interpretation is not accurate. The City / County Management Staff will consider the request, within 45 days, and make a final decision. **The**

decision of the City/County Management Staff is final and may not be further appealed.

XII. Conflicts with State and Federal Law

In the event these policies are found to conflict with State or Federal law or the rules of the Florida Housing Finance Corporation, now or in the future, the State or Federal law or rules of the Florida Housing Finance Corporation will take precedence. The Director of the Office of Housing and Community Development is authorized to amend these policies to the extent necessary to make these policies consistent with state or federal law or the rules of the Florida Housing Finance Corporation. Within five working days of making any changes to these policies, the Director must notify the City / County Management Staff with a description of the changes made to these policies and the reason for any changes.