

CITY OF BUFFALO ~ OFFICE OF STRATEGIC PLANNING ~ DIVISION OF HOUSING
Down Payment and Closing Cost Assistance - First-Time Home Buyers Program
Program Guidelines

PROGRAM ADMINISTRATION

The Office of Strategic Planning, through its neighborhood based partners, will administer and implement the Down Payment and Closing Cost Assistance (DPCC) / First Time Home Buyers Program. The City receives CDBG funds from the federal Department of Housing and Urban Development and uses these funds to provide assistance to first time homebuyers. Loan funds will be issued through the City of Buffalo Urban Renewal Agency. Applications must be submitted to the Office of Strategic Planning not less than eight weeks before the projected closing date

Purpose

The goal of the DPCC / First-Time homebuyer's Program is to expand home-ownership opportunities by providing financial assistance to low and moderate income first-time homebuyers for closing costs related to the purchase of their first home. **Funds are provided as an interest-free conditional grant/loan with a five-year term that is secured by a second mortgage on the property.** You need not make any monthly payments toward this loan unless your home is sold, or transferred before the end of the term. In those cases, the full amount of the loan will have to be repaid. If you reside in the property as your principal residence for the full five years, and meet all other program obligations, at the end of the five-year term, the loan will be forgiven.

Eligibility

1. The applicant must be an income-eligible first-time homebuyer, that is, an individual and his or her spouse who have not owned a home during the three-year period prior to purchase of a home (see Definitions, below).
2. The property must be a **one-family** dwelling located in the City of Buffalo that is in generally good condition with no major housing code violations or lead based paint hazards.
3. Verification of household income must be supplied. To qualify, applicant households must meet the federal income guidelines for low income households.

No application will be processed until all necessary, required documents for the program are submitted to the Office of Strategic Planning Division of Housing staff.

Financial Assistance Limits and Terms

Funding will be provided as a deferred payment, zero percent interest (0%) loan/conditional grant of up to \$5,000.00. If the purchaser resides in the home for the full five-year term of the loan, the loan will be forgiven and no repayment is required. The assistance will be available to income-eligible homebuyers obtaining mortgage financing for the purchase of a home. The property to be purchased must be located within the legal limits of the City of Buffalo.

Eligibility of Property to be Purchased

1. **Type of Property:** The home to be purchased must be a single family owner-occupied home, situated on a parcel of land to be owned and occupied by the purchaser
2. **Condition of Property:** The property to be purchased must be in good condition, not in need of repairs and should be in compliance with both federal Housing Quality Standards and City of Buffalo Housing Codes. Any lead based paint hazards must be addressed by the seller and a clearance test must be completed to ensure compliance with applicable federal requirements.
3. **Property Value:** Pursuant to federal regulations at 24 CFR § 92.254, the appraised value of the property to be purchased cannot exceed the FHA 203(b) mortgage limit for an existing one-family house in the Buffalo area. The property value limit for 2014 as per the applicable regulations is **\$121,000 (one-family)**.
4. **Location:** The property to be purchased must be located:
 - within the legal limits of the City of Buffalo and,
 - outside the established 100-year floodplain.

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5. Other Program Parameters

- BURA will provide up to 50% of the down payment required by the lender from the low or moderate-income homebuyer on condition that at least \$500 of his/her own money has been invested toward the purchase of the property.
- Taxes and insurance must be paid through an escrow account with the mortgage lender.
- The applicant must qualify for a mortgage loan with a mortgage financing institution.
- The Division of Housing will provide for the loan closing for the DPCC Program funds.
- *If substantial work is required to bring a property into compliance with local codes, the purchase will not qualify for assistance through the OSP Down Payment and Closing Cost Assistance Program. In such cases, the purchase, closing costs and partial rehab financing may be financed under an existing lender sponsored program such as the 203K or other program.*
- **A visual assessment analysis for deteriorated-lead based paint must be completed by a certified evaluator for each property considered for the program. Any identified hazards must be addressed in accordance with the federal regulations at 24 CFR Par 35 (Lead-based Paint Poisoning Prevention in Certain Residential Structures).**

Pre-Purchase Requirements

1. Prospective homebuyers must attend the homebuyers workshop/seminar offered through a certified homebuyer training program, including programs available through Belmont Housing Resources of WNY (884-7791), the Urban League (854-7625), West Side Neighborhood Housing Services (885-2344) and HomeFront (856-2952).
Purchasers who have completed home buyer training provided through an qualified agency during the twelve month period prior to the date of the contract of sale will not be required to repeat the training, but must submit a copy of the certificate issued by the certified agency.
2. Prospective homebuyer must qualify as a “first time homebuyer”, specifically:

First-Time Homebuyer

A First-Time Homebuyer is defined as an individual and his or her spouse who have not owned a home during the three-year period prior to purchase of a home with assistance to be provided under the DPCC program. The term includes any individual who is a displaced homemaker, or single parent.

Displaced Homemaker

An individual who, while married, owned a home with his or her spouse or lived in a home owned by his or her spouse during the previous three year period, AND

- is an adult
- has not worked full-time full-year in the labor force for a number of years but has, during such years, worked primarily without remuneration to care for the home and family; and
- is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment, and
- the prior residence was awarded to the spouse or required to be sold as part of the divorce settlement

Single Parent

An individual who, while married, owned a home with his or her spouse or lived in a home owned by his or her spouse during the previous three years, AND -

- is unmarried or legally separated from a spouse; and
- has one or more minor children for whom the individual has custody or joint custody, or
- is pregnant, and
- the prior residence was awarded to the spouse or partner or was required to be sold as part of the divorce settlement

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Closing Costs Covered

- Funds may be used to pay for the downpayment assistance and the reasonable and customary closing costs defined in 24 CFR 92.602, including reasonable and necessary costs incurred by the homebuyer with the financing of single family housing acquisition and rehabilitation. These costs include, but are not limited to costs to process and settle the financing for purchase of a home, such as private lender origination fees, credit report fees, fees for title evidence, fees for recordation and filing of legal documents, attorneys fees, etc. , .
- DPCC funds may not be used to complete or pay for any repairs to the property.
- An itemized list of closing costs must be presented. (The good faith estimate is sufficient at the time of application, a more accurate list will be provided by the lender as part of the monthly payment negotiations).
- Closing costs also include -- insurance, filing fees, adjusted city and/or county property, water and sewer taxes, legal fees, search, survey, appraisal fees and points.
- Buyer's financial responsibilities associated with purchase of home at closing [as listed on page 2 of 2 on HUD 1 settlement statement, **excluding** fees paid outside closing;
- Property tax and insurance escrow funds;
- Title insurance, recording fees and tax stamp fees;
- Bank attorney fees;
- First year mortgage insurance premium.

Any remaining assistance after closing costs must be applied to the principal balance of the mortgage, additional down payment funds and/or points. Loans may not exceed \$5,000.00. Any potential "cash out" to the purchaser must be returned to BURA and may not be released to the homebuyer.

*Closing Cost Assistance **does not cover reimbursement for funds paid prior to closing**, for example. mortgage application fee, appraisal fee, credit report, 1st year's homeowner insurance, home inspection, etc.*