



CITY OF GAINESVILLE

CHIP 1st TIME HOMEBUYER DOWN PAYMENT ASSISTANCE UNDERWRITING GUIDELINES

Mission Statement

The City of Gainesville Housing and Community Development Division is dedicated to improving the living environments for low and moderate income persons and communities. To assist in achieving this goal the City administers various programs that promote neighborhood stability and asset building. One such Program is the First Time Homebuyer Down Payment Assistance (DPA) program. Through the utilization of the City's Community HOME Investment Partnership (CHIP), the amount of assistance that can be provided to the borrower must be no less than \$2,000 and not exceed \$14,999. The DPA Program serves as a mechanism to create homeownership opportunities for low and moderate households that otherwise would not be able to afford the homeownership dream.

I. Introduction

The City's DPA underwriting guidelines will serve as a reference for the staff when reviewing and analyzing requests for DPA applications through the City's CHIP/HOME program. Staff will use these guidelines for qualifying eligible households, at or below 80 percent (%) of the area median income for the CHIP program, as applicable to the City of Gainesville, and adjusted for household size, as determined by HUD.

For each DPA request received, creditworthiness and property value are not the only factors considered. An evaluation and analysis of the borrower's income (capacity), available funds (capital), ability and willingness to repay the loan in a timely manner (credit), and the property value (collateral) are all assessed.

The following underwriting guidelines are applicable to the CHIP First Time Homebuyer DPA Program.

II. Program Outreach and Marketing

The City of Gainesville is committed to providing all persons with equal access to its services, activities, education and employment regardless of race, color, national origin, religion, sex, familial status, disability, or age.



All outreach efforts will be done in accordance with state and federal fair lending regulations to assure nondiscriminatory treatment, outreach and access to the Program. No person shall, on the grounds of age, ancestry, color, creed, physical or mental disability or handicap, marital or familial status, medical condition, national origin, race, religion, gender or sexual orientation be excluded, denied benefits, or be subjected to discrimination under the Program. The City will ensure that all persons, including those qualified individuals with handicaps, have access to the Program.

- A. The Fair Housing Lender logo will be placed on all outreach materials. Fair Housing marketing actions will be based upon a characteristic analysis comparison (Census data may be used) of the Program's eligible area compared to the ethnicity of the population served by the Program (includes, separately, all applications given out and those receiving assistance) and an explanation of any underserved segments of the population. This information is used to show that protected classes (age, gender, ethnicity, race, and disability) are not being excluded from the Program. (For HOME, the Sponsor shall develop a Fair Housing Marketing Plan prior to project set up). Flyers or other outreach materials, in English and any other language that is the primary language of a significant portion of the area residents, will be widely distributed in the Program-eligible area and will be provided to any local social service agencies.
- B. The City will work closely with local real estate agents and primary lenders to explain the Program requirements for eligible housing units and homebuyers, and to review Program processes. Local real estate agents and primary lenders will also be encouraged to have their customers participate in the Program. Section 504 of the Rehabilitation Act of 1973 prohibits the exclusion of an otherwise qualified individual, solely by reason of disability, from participation under any program receiving Federal funds. The City shall take appropriate steps to ensure effective communication with disabled housing applicants, residents, and members of the public.

III. Application Process and Selection

The City shall maintain a waiting list of applicants. Each applicant is asked to complete an application form, which asks for sufficient information concerning income, employment, and credit history to establish preliminary eligibility for Program participation. Complete applications are date and time stamped; therefore, assistance is given on a first-come-first-served basis. Applications are only deemed complete if all information is completed and supporting documentation to the application is received.

IV. General

The City of Gainesville has delegated the credit decision for each DPA application to the Lenders. Each application package submitted to the City must also meet the requirements set forth in the State of Georgia Community HOME Investment Program, Policies and

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Procedures Manual, as well as the applicable Mortgage Insurer's requirements as determined by the Lender's underwriter.

The City will underwrite applications for compliance with the CHIP DPA program guidelines prior to issuing a Determination Letter to the applicant. The approval letter is subject to the Homebuyer obtaining a firm commitment for a first mortgage loan.

The City's compliance underwriting decision will be based on, but not limited to, a review of documentation in the Underwriting Package that documents satisfactory compliance with the following criteria:

- a) Applicant meets the first time homebuyer requirement;
- b) Applicant's Household Annual Income meets the CHIP Program requirements;
- c) Acquisition cost of the subject property is within the loan to value limits as set forth by the Underwriting, closing and funding criteria of the DCA Georgia Dream Homeownership first mortgage program, for the county in which the property is located;
- d) All required application documents are complete;
- e) DPA proceeds are utilized for purchase only transactions;
- f) Complete and accurate information provided on the application, support documents and verifications prior to loan closing; and
- g) Collateral assessment of the subject property meets DCA's CHIP Homeownership Program requirements and the requirements set forth by the Mortgage Insurer.

We reserve the right to require further information to insure compliance with CHIP Homeownership Program requirements and/or Mortgage Insurer requirements.

Lenders must follow the underwriting guidelines set forth by the City and/or the Mortgage Insurer of the first mortgage when underwriting an application.

V. Qualifying Ratios

The maximum amount of assistance to the homebuyer cannot exceed \$14,999, and should be determined by a debt to income ratio analysis that does not exceed the maximum standard for the typical first mortgage loan for housing cost and debt.

A. Housing Payment-to-Income Ratio

The payment-to-income ratio, or "top ratio" as it is commonly called, is calculated by dividing the total monthly housing payment by the applicant's effective gross monthly income.

Monthly payments for the following items are to be included when considering the monthly housing payment:

- 1) Principal and interest payment of first mortgage
- 2) Any secondary financing

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- 3) Real estate taxes
- 4) Hazard insurance premium
- 5) Flood insurance premium, if applicable
- 6) Private mortgage insurance premium, if applicable
- 7) DPA loan

Generally, the front ratio calculation should not exceed 40% of the applicant's gross monthly income (the exception being when there are mitigating circumstances that would warrant deviating from the guidelines).

B. Debt-to-Income Ratio

The total debt-to-income ratio, or " back-end ratio" as it is commonly called, is calculated by adding together the total monthly payments of all existing long term debts (with a remaining term of 10 or more months) and the total monthly housing payment and dividing that sum by the applicant's gross monthly income.

The total monthly obligations to be considered include:

- 1) Monthly housing payments on the property;
- 2) Net monthly housing expenses on other real estate owned, (for DPA Program purposes households with any ownership interest in real estate is prohibited);
- 3) Long term installment debt;
- 4) Revolving accounts and lines of credit;
- 5) Alimony, child support or maintenance, if applicable; and
- 6) Stock pledges, if applicable

Generally, the back-end ratio should not exceed 45% of applicant's gross monthly income.

In some cases borrowers will be combining DPA financing in conjunction with other first mortgage financing for a home purchase, which may allow the applicant to have higher ratios than the City's desired maximums. In these instances the City will evaluate the proposed first lender ratio criteria and make a determination based on a case by case basis.

Additionally, higher debt ratios may be allowed if the borrower has mitigating circumstances, which warrant the approval of higher debt ratios, such as a borrower having a history of making rental payments that are higher than the scheduled amortized mortgage payment. Request for deviations from the underwriting criteria will be evaluated on a case-by- case basis.

The ratios discussed here are general guidelines and flexibility may be exercised in specific underwriting situations.

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The following are examples of considerations that may justify approvals' of loans with higher ratios:

- 1) Applicant's proven ability to devote a larger amount of income to housing expenses.
- 2) Applicant's substantial net worth.
- 3) Applicant's demonstrated ability to maintain good credit history.
- 4) A substantial down payment on the purchase of the property or strong equity position for existing homeowner.
- 5) Cost efficient property characteristics (such as documented energy efficient items) that make more income available for repaying mortgage debt.

VI. Credit Documentation

The credit report is used to help determine the applicant's creditworthiness. The information provided on the report will be valuable for determining the applicant's:

- 1) History of debt repayment.
- 2) Manner and pattern of repayment.
- 3) Attitude towards the use of credit.

A. Credit Report Requirements

The following are requirements, which apply to credit reports:

- 1) A credit report must be a standard factual data credit report issued by an authorized credit-reporting agency.
- 2) The report must include information covering at least two years of credit history and residency.
- 3) The report must be no older than 90 days at the date of loan approval.
- 4) There is evidence that public records have been checked.
- 5) The report must disclose information that coincides with the initial and final application.
- 6) A report must be obtained on each applicant. (It is only necessary to obtain one credit report that will contain information on co- applicants when applicants are married to each other and their assets are combined and reported jointly.)

B. Other Credit Documentation

- 1) For those borrowers who do not have established credit, a 12- month history of rent and utilities will be used.

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- 2) Borrowers may also supply credit reference letters from Rent to Own or furniture stores. Savings pattern can also be used as a credit reference.

C. Analyzing the Credit Report

- 1) The credit report must be analyzed for consistency with loan applications as well as for complete credit account information from the credit-reporting agency.
- 2) Any inconsistencies must be explained by the applicant in writing.
- 3) Any lapses or inconsistencies in employment or place of residence must be explained by the applicant in writing.
- 4) Any obligations listed on the credit report that are not verified or rated will require written verification prior to underwriting the loan package.
- 5) Any obligations that appear on the credit report that do not appear on the initial loan application will require a written explanation from the applicant and proof that payments have been made, or proof that the obligation is paid in full.
- 6) Any obligations that appear on the initial application that do not appear on the credit report will require a written explanation from the applicant and proof that payments have been made, or proof that the obligations are paid in full.

Summary

The underwriting guidelines presented here are general guidelines only. The proficiency of the underwriter is reflected throughout the total mortgage loan origination. Each case must be investigated, documented, and evaluated in accordance with prudent lending policies and with the City of Gainesville's Down Payment Assistance lending goals.

Enclosures:

- Exhibit "A"-Subordination Policy
- Exhibit "B"-Anti-Predatory Lending Policy

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