



## **Forsyth County Housing & Community Development Homeownership Program (FCHP) AHOP / HOME PROGRAM**

### **I. Program Purpose:**

The Forsyth County Homeownership Program (FCHP) provides funds to assist with the down payment and closing costs associated with the purchase of a home by a low or moderate income, first time homebuyer in Forsyth County. The funds are provided by the Winston-Salem/Forsyth County HOME Consortium, the North Carolina Housing Finance Agency, the NC Department of Labor, the NC Department of Commerce and Forsyth County. The funds are considered to be Federal funds. Funds will be disbursed on a first come first served basis within the eligibility requirements of the County AHOP-HOME. The County's purpose with this housing grant is to provide deferred, no interest second mortgages for low and moderate-income households to purchase and occupy in Forsyth County.

### **II. Assistance Policy Purpose:**

The assistance policy describes who is eligible to apply for assistance under the AHOP-HOME program, how applications for assistance will be evaluated, what terms of assistance can be provided and how the AHOP-HOME process will be managed. The County has designed this program to be fair, open, and consistent with the HOME program regulations.

### **III. Where do the AHOP-HOME funds come from?**

The funds are provided by the Winston-Salem/Forsyth HOME Consortium. The funds originate from the United States Department of Housing and Urban Development (HUD) and are allocated to the Consortium on an annual basis.

### **IV. Who is eligible to apply?**

The participant must be a first time homebuyer or cannot have owned a home within the last three years. Eligibility for the Forsyth County AHOP-HOME program is dependent upon each household's income being at or below 80% of the median household income for the area based on household size. These income levels are set annually by the United States Department of Housing and Urban Development. The current income limits are presented on the following page:

## Income Guidelines by Household Size Effective May 1, 2014

Family Size	200% of Poverty		50% of Area Median	80% of Area Median
1	\$23,340		\$19,850	\$31,750
2	\$31,460		\$22,650	\$36,250
3	\$39,580		\$25,500	\$40,800
4	\$47,700		\$28,300	\$45,300
5	\$55,820		\$30,600	\$48,950
6	\$63,940		\$32,850	\$52,550
7	\$72,060		\$35,100	\$56,200
8	\$80,180		\$37,400	\$59,800
IDA maximum income limit				
Forsyth County Housing Down Payment Maximum Income Limit				

The eligibility of the households includes factors relating to the participant's credit worthiness, job stability, income, and ability to qualify for an affordable first mortgage. The following underwriting criteria will be used to approve each eligible loan request:

- **Down Payment Required:**
  1. The participant must contribute a minimum of \$1,000 as part of their Buyer's Contribution towards their purchase
  2. The \$1,000 must come from their own funds. Gift funds are not counted in the Buyer's Contribution, but the buyer may receive and utilize gift funds in their purchase.
  
- **Credit Items:**
  1. The applicant cannot have any unpaid judgments
  2. All collections must be paid; some leeway may be given for medical collections.
  3. The County wants to see at least 6 months of good credit prior to applying for an AHOP-HOME loan.
  
- **First Mortgage Requirements:**
  1. The applicant must be approved by a lender for an affordable first mortgage. Affordable meaning the interest rate should be reasonable; SUM TOTAL of discount points and origination fee cannot exceed 1%, and no unusual or excessive fees.
  2. The County will not participate in the project when the first mortgage is for less than 30 years.

3. The first mortgage must carry a fixed rate of interest for the full thirty-year loan.
4. The County will encourage participants to secure the least expensive loan with the lowest monthly principal and interest payment so as to make the first mortgage as affordable as possible.
5. The County will not provide an AHOP-HOME loan when a co-signer, who will not reside in the home, signs for the buyer.
6. Participants are further encouraged to secure a first mortgage through the NCHFA Home Advantage program when their interest rates are lower than other loan programs.
7. When participants select homes in rural areas of the County, as defined by the US Department of Agriculture, they will be encouraged to participate in the USDA Rural Development loan program.

- **Debt Ratios:**

1. The housing debt to income ratio (front end ratio) should not exceed 32% after taking into consideration the Forsyth County second mortgage. [NOTE: Front end ratio cannot be below 20%, 12% for Disabled individuals]
2. The total debt to income ratio (back end ratio) should not exceed 41% after taking into consideration the Forsyth County second mortgage. In certain cases the back ratio may exceed the 41% but the participant must present the County with a reasonable budget and show over a period of time that they can meet the prescribed budget.
3. The County uses the HUD HOME regulations to determine the household's income and only certain types of income may be grossed up.

V. **What types of houses are eligible?**

Properties are eligible only if they meet all of the following:

- The property purchased must be located in Forsyth County
- The property cannot be a manufactured home.
- An existing property must be inspected by a NC Licensed professional home inspector with a Professional Engineering License. Repairs must be performed as directed by the County by the seller prior to closing. As funds are available and in certain instances, the County may provide funding for repairs of the home after closing. The County will determine if it is economically feasible and in the best interest of the participant and the County to provide post purchase rehabilitation services.
- If the home was built prior to 1978 a lead assessment must be performed on the house and a clearance report obtained if Lead Based Paint hazards are identified from the assessment.

VI. **What are the terms of assistance under the HOME Program?**

The County provides deferred loans to participants under the AHOP-HOME program. The AHOP-HOME mortgage is in a second position behind the first mortgage. The AHOP-HOME loan will carry an interest rate of 0% and no interest will accrue on the loan. If the home is sold or conveyed to another person the AHOP-HOME loan immediately becomes due and payable. If the owner moves out of the home or dies, the loan becomes due and payable.

The maximum amount of Forsyth AHOP-HOME funds to be used on an individual home is the lesser of \$10,000 OUTSIDE the city limits of Winston-Salem. Buyers of existing homes in Winston-Salem will be limited to a maximum of \$7,000 and must first be turned down in writing by the Community and Business Development Department of Winston-Salem for their down payment assistance loans. The County's AHOP-HOME loans are provided at the minimum amount needed to make the home affordable to the low/moderate-income household participant.

There are also funds available from North Carolina Housing Finance Agency for new construction UP \$18,000. Forsyth County Housing is able to assess the buyer for NCHFA funds.

## **VII. What about Lead Based Paint?**

On December 15, 1999, HUD issued a new Federal lead-based paint regulation implementing Title X of the Housing and Community Development Act of 1992. These new lead based standards and regulations became effective September 15, 2000. The County will abide by these new regulations and will contract with a certified lead based paint inspector to perform an assessment of every housing unit constructed prior to 1978 and that is determined to have deteriorated paint for acceptance in the County's AHOP-HOME. If lead is found at unacceptable levels, the County will determine the appropriate treatment to be taken as dictated by the new federal regulations. The County, due to budgetary restraints, may not be in a position to treat every home that has lead based paint contamination. Therefore, the County reserves the right to decline assistance to households desiring to purchase homes that contain unhealthy levels of lead-based paint that cannot be treated in an economically feasible manner. Again, the Loan Review Committee will make these decisions based upon information and recommendations provided by the Housing Department's staff. If children under age seven (7) are present in any home found to have high levels of lead based paint, the family will be referred to the County Health Department or their family doctor to be screened for elevated blood levels.

If lead paint is found in a house that is above the allowable levels and the County decides to provide rehabilitation assistance to the dwelling, it may be necessary for the household to be temporarily relocated during the construction period for protection against further lead poisoning. Families that must be relocated will first be asked to find alternative temporary housing on their own and at their own cost. However, if a family cannot find or afford temporary housing, the County can, but is not obligated to use County HOME funds to pay for the cost of the family's temporary relocation.

## **VIII. What are the steps in the process, from application to completion?**

Now that you have the information about how to qualify for the Forsyth County Affordable Homeownership Program, the focus will turn to how the application and approval process works. Those major activities are outlined below:

- 1. Completing an Application Form:** Potential homeowners who wish to apply for assistance must do so by contacting **Bianca Green, Homeownership Housing Counselor / Loan Officer at 336-703-2678** or by sending an email to **GREENBL@forsyth.cc**.
- 2. Homeownership Training:** The AHOP-HOME program requires participants to complete a first time Homebuyer Education course through the Center for Homeownership. The course consists of classes which run for a total of eight hours. A certificate is provided to those who have successfully completed the course. The Center for Homeownership phone is 336-773-0286, located at 8064 North Point Blvd., Suite 200, WSNC 27106.

3. **Use of REALTOR:** The participants are encouraged to work with a REALTOR® to serve as their exclusive “buyer agent”.
4. **Mortgage Pre-Qualification:** Applicants are encouraged to become pre-qualified by at least three lenders to determine the amount of first mortgage they can qualify under the affordable loan programs offered by various financial institutions.
5. **Personal Information from applicants:** Applicants will be required to provide specific information related to ALL household income and assets, existing loans and payments on debt, third party income verification forms, household size and other pertinent information as deemed necessary to process the first time homebuyer loan application.
6. **Loan Review Committee Approval:** The County has a loan review committee review each proposed AHOP-HOME loan. The committee considers the following factors in determining the approval of the loan:
  - a. The likelihood of repayment based on
    1. Loan to value ratio
    2. Credit worthiness of applicant
    3. Acceptable housing and debt ratios (debt-to-income ratios)
    4. Mortgage payment shock (mortgage payment vs rental payment)
    5. Job stability
    6. Budget preparedness and evidence of ability to stay within budget
  - b. The terms and conditions of the first mortgage
    1. Acceptable and affordable interest rates and fees
    2. Acceptable fixed rate 30 year term
  - c. The condition of the property to be purchased
    1. Safe from lead if built 1978 or prior
    2. Home is located in Forsyth County
    3. Is not a manufactured home
    4. Home is professionally inspected and required repairs are completed
    5. Not located in a future right of way for a new or expanded highway
    6. Not in a flood plain
    7. Meets minimum housing code
    8. Appraisal is equal to or exceeds agreed sales price

The loan review committee will either approve the loan or deny the loan. The committee may decide to make changes to the project which conforms to the HOME and North Carolina Housing Finance Agency Policies and Procedures.

7. **Loan closing and Contract execution:** At closing the legal documents will be signed by the buyer and seller as directed by the closing attorney. The attorney will close both the first mortgage and the AHOP-HOME second mortgage at the same time and will immediately record both sets of documents as required by law.