



**Product Guideline
Arapahoe County
Home Assistance Program**

Eligible Borrowers: Natural persons with U.S. citizenship or permanent alien status that are first time home buyers purchasing permanently affixed real property within Arapahoe County *excluding the City of Aurora*. Principal residency is required for the first five years of the down payment assistance loan. Must qualify for and obtain a first mortgage loan.

Eligible Properties: The property must be owner/seller occupied or vacant at the time an offer is made. **This must be documented by securing a copy of the appraisal, completed by a Colorado licensed real estate appraiser, which states the occupancy status of the home.** Tenant occupied homes are ineligible unless the tenant is also the purchaser. The property must be a single-family property (one unit), one unit in two to four unit property, one or more units in a two to four unit property (restrictions apply), or a condominium unit. Manufactured housing must meet the Manufactured Home Construction and Safety Standards established in 24 CFR Part 3280, which preempt state and local codes covering the same aspects of performance for such housing. The housing unit must be attached to a permanent foundation, have permanent utility hook-ups and the owner must also own the land on which the housing unit is located.

Income Threshold: Must have a household income at or below 80% of the area median income as established by the U.S. Department of Housing and Urban Development and updated annually.

Loan Amount: 6% of the purchase price up to a maximum amount of \$10,000.

Minimum Investment: Borrower must have a minimum direct transaction investment of \$1,000 or 1% of the purchase price, *whichever is greater*, from a source acceptable to the primary lender. In no case may the Seller or premium pricing of the mortgage interest rate satisfy this minimum requirement.

Compatible Mortgages: Funds may be used in conjunction with any *fixed rate* first mortgage lending product *except* mortgages containing interest only payments, negative amortization, a balloon payment, or a prepayment penalty. The first mortgage must have a repayment schedule amortized over a period not to exceed 30 years, and must be underwritten using underwriting ratios not to exceed 35% for front-end ratios and 45% for back-end ratios.

Max. Purchase Price: Purchase price is limited to 95% of the Area Median Purchase Price per Arapahoe County as follows:

1-unit Existing	1-unit New
\$283,000	\$283,000

Loan to Value: Maximum Combined Loan to Value is 100% of purchase price.

Debt Ratio: Must be underwritten using a housing ratio maximum of 35% and debt to income maximum of 45% for back-end ratios.

Repayment: Principal and interest payments are not required. Payments for less than the full amount of principal, accrued interest and public recording fees are not accepted. The assistance will become immediately due upon the sale, transfer or if, during the Affordability Period, the owner no longer occupies the home as his/her principal place of residence.

Forgiveness:	<p>The home purchased with assistance from this program is entitled to forgiveness up to 100% of the original principal balance provided the borrower is in compliance with all the terms of the promissory note. Starting at the one-year anniversary 20% of the original principal balance is forgiven and each subsequent anniversary will reduce the loan amount by an additional 20% until 100% is forgiven.</p> <p>Any principal forgiven by Arapahoe County will be reported to the I.R.S. as Miscellaneous Income to the Borrower in the year in which the forgiveness is granted.</p>
Term:	Maximum term is 5 years.
Loan Fees:	No Application Fees. Recording Fee payable to Arapahoe County collected at closing on the Closing Disclosure (CD).
Collateral:	The property may be subject only to mortgages, deeds of trust or other debt instruments approved by County. The County's loan must be subordinate only to the first mortgage. County may consider subordinations to other programs on a case-by-case basis. However, for loans provided by the Colorado Housing and Finance Authority (CHFA) where a second mortgage loan is provided along with the first mortgage loan, then the County's loan may be recorded in third position, behind the CHFA loan.
Affordability Period:	To maintain the ongoing affordability of the property the borrowers must maintain the property as their primary residence for a period of at least 5 years regardless of loan payoff (unless the payoff is from the sale of the home).
Exceptions Policy:	Applicant and loan considerations that fall outside the parameters established by loan policies and procedures will be submitted to Arapahoe County on a case-by-case basis. County approval must be provided to proceed with any loan that falls outside the parameters.

Origination Procedures

Application:	Mortgage loan officer submits Loan File Checklist to Funding Partners, complete with all documentation shown on the form. A loan commitment is usually issued within 3 -5 business days. Any remaining documentation requirements will be detailed.
Approved Applications:	Approved application will be valid 30 days and may be extended if closings are delayed due to no fault of the buyer.
Income Eligibility:	Income eligibility is valid for 6 months.
Homebuyer Training:	Applicants must attend pre-purchase education offered by an instructor certified by HUD or the Colorado Housing and Finance Authority.
Processing:	Funding Partners will order title commitment and evidence of hazard insurance. Final loan documents are delivered electronically to loan officer for presentation to borrower. Arapahoe County must provide a completed Environmental Clearance form and property evaluation report for the FP loan file. All outstanding items must be cleared prior to funding.
Contingencies:	FP will advise buyers to work with their real estate brokers to include certain contingencies in the Contract to Buy Real Estate (Offer) to assure their ability to

withdraw their Offer if the home does not meet the requirements of the Program. Such contingencies include, but are not limited to:

1. *The home must be owner/seller occupied or vacant at the time an offer is made. Tenant occupied homes are ineligible unless the tenant is also the purchaser.*
2. *Homes constructed prior to 1978 must be visually inspected for lead-based paint by a trained provider. If deteriorated paint is found, then paint stabilization of each deteriorated paint surface, and clearance by a State qualified inspector, must be conducted prior to closing. The associated costs may be negotiated between the buyer and seller and paint stabilization must be completed prior to occupancy.*
3. *The home must meet the applicable state or local housing standards and code requirements. If no local standards/code apply, then it must meet the Section 8 Housing Quality Standards (HQS). Any required repairs and the cost of such are to be negotiated between buyer and seller and must be completed prior to occupancy.*
4. *The home must have the HUD-required environmental review completed prior to closing. If the property is located in an area identified by FEMA as having special flood hazards, the buyer must obtain flood insurance in accordance with section 102(A) OF THE Flood Disaster protection Act of 1973 (42 U.S.C. 4001) as amended.*

Environmental Review: County will conduct the HUD-required Environmental Review that need to be completed before closing. FP will, as soon as practicable, email the property address, with anticipated closing date, to the County-designated staff person. The county will return an Environmental Review Record (ERR) to FP within three business days. If the ERR indicates that the property is located in a flood plain, FP will assure that the homeowner obtains flood insurance at closing.

Lead Based Paint: If a home was constructed prior to 1978, it is FP's responsibility to ensure that the lead-based paint regulation is followed and that the home is cleared of lead-based paint prior to occupancy.

Bankruptcy: If there was prior bankruptcy, the date of application for down payment assistance may be made when at ***least two years have passed since the bankruptcy was discharged*** and the applicant has been current on all payments for the last 12 months.

Closing: FP will deliver closing instructions and loan proceeds direct to title. Wires are sent 24 hours prior to the scheduled closing date, so the loan officer must advise of any schedule changes as soon as possible.

Requirements: LOAN OFFICER'S ARE REQUIRED TO PRESENT ALL ARAPAHOE COUNTY DOCUMENTS AT, OR PRIOR TO, CLOSING. Both the borrower and loan officer must execute the Lender Certification form, acknowledging disclosure of all loan terms and contact information.

Settlement: Borrower may NOT receive any proceeds at the time of settlement regardless of total contribution. Title will be instructed to show any excess proceeds as a principal reduction to FP on the first mortgage CD and return such funds for proper credit. No changes to the Arapahoe County loan documents or loan amount shown on the CD are permitted as a result of excess proceeds.

Post Closing: The original deed will be recorded by title with all other original Arapahoe County loan documents returned to FP via overnight courier. Any excess proceeds will be applied as principal reduction, with applicable notice delivered to the borrower upon receipt.