



Down Payment Assistance Program (DPAP) Guidelines

CITY OF MESQUITE

Department of Housing & Community Services

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I. PROGRAM OVERVIEW

The City of Mesquite's Down Payment Assistance Program (DPAP) is provided with funds from the U.S. Department of Housing and Urban Development (HUD), through the Community Development Block Grant (CDBG). The Down Payment Assistance Program provides financial assistance to low and moderate-income families, with the goal of increasing affordable homeownership opportunities. The financial assistance is in the form of a deferred forgivable loan that can be used towards down payment and or closing costs. The assistance is up to \$10,000 and dependent upon availability of funds based on a first-come, first-served basis.

II. ELIGIBILITY REQUIREMENTS

To qualify, applicants must be a first-time homebuyer, be a U.S. Citizen or qualified alien, must meet the federal area median income (AMI) levels established by HUD, must take the HUD certified homebuyer education course, occupy the property as their primary residence, and be able to contribute 1% of the sales price towards the purchase of the property. Applicants must provide supporting documentation that verifies their annual income, assets, and citizenship in accordance with federal guidelines. Applications for the DPAP are accepted on a first come, first served basis Applicants who have received CDBG grant assistance through the City of Mesquite in the last 5 years are not eligible. Applications can be submitted in person, via fax or email. *** Please note, submission of an application does not automatically qualify you for assistance. Each application is reviewed for income eligibility, in addition to other factors. ***

Applicants must meet the following requirements to be eligible

A. Applicant must be a first-time homebuyer or not owned a home in the last 3 years

According to the Federal Housing Administration (FHA), a first-time homebuyer is defined as an individual who has never owned a home; (ii) and individual who has not owned a home in the last 3 years; (iii) an individual who owned a home with a former spouse while married, but since then has divorced and no longer resides in the home (subject to documentation of loss ownership in divorce decree or equivalent document(s)); (iv) a displaced homemaker who previously owned a home with a spouse or live in a home owned by the spouse, and is receiving no equity or homeownership rights; (v) or a displaced homemaker and/or a recent single parent who did not receive; (vi) other qualifying criteria, as listed by the FHA.

B. Applicant must be a U.S. Citizen, Citizen National, or Qualified Alien

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 states that U.S. Citizens, U.S. non-citizen national, and "qualified aliens" are eligible for federal public benefits (with certain exceptions). According to federal definition, a "federal public benefit" means any grant, contract, loan, professional license, or commercial license provided by an agency of the United States or appropriated funds of the United States.

- A **U.S. Citizen** is defined as (i) a person born in the United States, and subject to the jurisdiction thereof; (ii) A person born outside of the United States and its outlying possessions of parents both of whom are citizens or the United States or one of whom has had residence in the United States prior to the birth of such person; (iii) a naturalized United States citizen; (iv) other definitions provided under *8 U.S. Code Section 1401*
- A **National** is defined as (i) a person born in an outlying possession of the United States on or after the date of formal acquisition of such possession; (ii) A person born outside the United States and its outlying possession of parents both of whom are nationals, but not citizens and have had residency in the United States; (iii) other definitions provided under *8 U.S. Code Section 1408*
- A **Qualified Alien** is defined as an alien who is (i) lawfully admitted to the United States for permanent residence under the Immigration and Nationality Act (INA); (ii) an alien granted asylum under section 208 of the INA; (iii) an alien's deportation is withheld under Section 243(h) of the INA as in effect prior to April 1, 1997, or whose removal is being withheld under Section 241(b)(3) of the INA; (iv) an alien who is granted status as a Cuban and Haitian entrant

as defined in Section 510(e) of the Refugee Education Assistance Act of 1980; (v) an alien who is lawfully admitted to the United States for permanent residence under the INA.

C. Applicant must have a gross income that does not exceed the Dallas County 80% area median income (AMI). See chart below.

The household annual gross income must be at or below 80% of the Dallas County area median income (AMI). The AMI is subject to change each fiscal year. Income eligibility is determined in accordance with Part 24 CFR Part 5.609, referred to as 'Part 5 Income'. Household income includes the income of all household members over the age of 18. Household size includes all members that will reside in the home during the time of occupancy. Household income limits are defined according to 24 CFR part 91.5. Once income certification and supporting documents are submitted, staff will review income of all members over the age of 18 to determine eligibility.

# of People in Household	1	2	3	4	5	6	7	8
30% Area Median Income	\$20,450 and below	\$23,400 and below	\$26,300 and below	\$29,200 and below	\$32,470 and below	\$37,190 and below	\$41,910 and below	\$46,630 and below
50% Area Median Income	\$34,100 and below	\$39,000 and below	\$43,850 and below	\$48,700 and below	\$52,600 and below	\$56,500 and below	\$60,400 and below	\$64,300 and below
80% Area Median Income	\$54,550 and below	\$62,350 and below	\$70,150 and below	\$77,900 and below	\$84,150 and below	\$90,400 and below	\$96,600 and below	\$102,850 and below

**As established by HUD effective June 2022*

D. Homebuyer Education Course (HUD approved)

Applicants are required to complete an 8-hour, HUD approved, homebuyer education course by a HUD certified Housing Counseling Agency according to 24 CFR 982.630. Applicants must provide a certificate of completion when applying for assistance. Certificates of completion of the homebuyer education course are acceptable for one year from the date of issue. Any co-applicants must attend the class regardless of who will be listed on the mortgage. A list of qualified agencies can be found on the City of Mesquite website.

E. Primary Residence

The homebuyer must occupy the property as their primary residence and provide annual recertification as requested throughout the full affordability period.

F. Homebuyer Contribution

The homebuyer must be able to contribute at minimum 1% of the sales price towards the purchase of the property.

III. PROGRAM GUIDELINES

A. Financial Assistance

- The City of Mesquite DPAP will provide 50% of the lender required down payment amount not to exceed \$10,000 in grant assistance. Funds can be used toward down payment and or eligible closing costs. The exact amount of assistance cannot be determined until the Closing Disclosure with the exact amount of closing costs is provided. This amount can be used for all or part of the down payment, closing costs, and prepaids. Buyers are responsible for providing the remaining

down payment amount. Buyers are required to provide at minimum 1.00% of the sales price toward the cost of the home.

- No cash back may be provided to the buyer at closing.
- Loans will be secured by a Promissory Note and Deed of Trust. A Promissory Note is a document signed by the buyer, in which the buyer agrees to reside in the home for 5 years or the loan will have to be repaid. A Deed of Trust is a document that allows the City of Mesquite to file a lien on the home with Dallas County.
- Applicants, who have liquid assets greater than \$20,000 but meet income limits, will be subject to a dollar-for-dollar amount reduction in grant assistance for amount more than \$20,000. Liquid assets are defined as assets that can be easily converted into cash such as checking, savings, CDs, stocks, and bonds. Tax deferred accounts such as IRAs, 401Ks, and other retirement accounts are excluded from the definition of liquid assets. Assistance will not cover any seller concessions or gift funds.

B. Eligible Closing Costs & Down Payment

Closing Cost assistance is available for normal and customary buyer's closing cost, which include but is not limited to:

- 1 Point Origination Fee
- Lender Fees (excluding Origination Fee, Discount Point, and 3rd Party Fees) not to exceed \$1,000
- Mortgage Insurance Premium if not financed into the loan
- Appraisal fee
- Title Insurance
- Prepays
- Hazard Insurance
- Attorney's Fees
- Flood Certification Fee
- Closing/Escrow Fee
- Document Prep Fee
- Termite Inspection
- Recording Fee
- HOA Fee
- Survey Fee
- Credit Report Fee
- Home Inspection Fee
- Property Survey
- Credit Report Fee
- Home warranty

C. Debt-to-Income Ratio

Applicant's Debt-to-Income ratio may not exceed 45%. A Debt-to-Income ratio calculates the percentage of your income that goes to debt. The Front-end ratio (33% maximum) looks at housing-related debt, and the Back-end ratio (45% maximum) looks all debt including housing related debt.

D. Loan Type

All loans are accepted, including FHA, VA, and conventional mortgages. All loans must be at a fixed rate of 30-years or less. Adjusted Rate Mortgages (ARM), buy downs, balloons, 80/20, ITIN loans are NOT accepted. 203k and other loans that include repair costs will be considered on a case-by-case basis.

E. Interest Rate

The maximum allowed interest rate is 2% points above the current market rate as indicated by the Freddie Mac Primary Mortgage Market Survey for 30-year fixed rate mortgages. Interest rates over the limit require a waiver request from the Manager of Housing and Community Services.

F. Refinancing

Homeowners may request that the City re-subordinate its lien if the owner refinances to a lower fixed interest rate and/or shorter term if they do not “cash out” equity. Homeowners, who wish to refinance to cash out equity, are required to pay back the remaining, unforgiven amount.

G. Seller Concessions

Under the DPAP, seller contributions should only be applied to (i) lower sales price of home; (ii) cover buyer’s closing cost more than program assistance. Seller contributions cannot be used to pay for the buyer’s portion of the down payment.

H. Other Grants and Gift Funds

Other grants can be applied to the extent in which they do not duplicate expenses covered by DPAP. Staff must approve other grant program’s policies and resolve any programmatic conflicts in advance. Gift funds are also allowed. Total gifts may not exceed 6% of total sales price. Documentation of each gift must be submitted to the City of Mesquite in writing.

I. Arm’s Length Transaction

An Arm’s Length transaction is a transaction in which the buyer and the seller do not know each other prior to the transaction. DPAP loans may be used to assist a buyer with a purchase that is not in “arm’s length,” where the buyer a relative or otherwise knows the seller, only when the relationship is disclosed to the City. Additionally, the buyer and seller must have independent real estate representation prior to negotiating terms.

J. Notice to Seller

A Notice to Seller form must be provided to inform the seller that the buyer will be receiving federal funds through the City of Mesquite to assist with the purchase; although government funds are involved, the City of Mesquite will not acquire the property through eminent domain under this program. The transaction is strictly voluntary.

K. Application Process

A completed application must be accompanied with the following supporting documents:

- Address of selected property intended for purchase:
- Complete application signed by applicant(s)
- Mortgage Lender Prequalification Letter
- Homebuyer Education Certificate approved by HUD
- List of monthly debts (credit card payments, bank/car loan payments, student loan payments)
- Provide account number(s) for **each** bank account
- 2 most recent **checking** bank statements for each account
- 2 most recent **savings** bank statements for each account
- Most Recent Retirement Account Statement (IRA, 401k)
- Benefit award letter(s) for assistance received: TANF/SNAP (If applicable)
- Award letter for Social Security Benefits/Unemployment/Worker's Compensation (if applicable)
- Provide a copy of your most recent tax return (**1 year, most recent**)
- Provide **2 months** of pay stubs received from employer for each household member 18+ (**most recent, consecutive**)
- Provide copy of business financial statements if you own a business or self-employed (**2 months, most recent, consecutive**)
- Copies of Child Support Court Payments (if applicable) (**2 months, most recent, consecutive**)
- "Applicant Certification" (PG.6) Signed by all household members (18+)
- "Authorization for Release of Information" (PG.7) Signed by all household members (18+)
- "Authorization for Criminal Background Check" (PG.8) Submit a separate signed form for all household members (18+)
- Copies of unexpired photo IDs or Texas Driver's License for all household members (18+)
- Copies of Social Security card or documentation of alien registration number/green card for **ALL** household members

Files with no activity for 3 months will be automatically closed. If the applicant is still interested in program, he/she must re-apply and re-submit all required paperwork. After the application has been submitted, the grant coordinator will go over income eligibility via phone or in person with the purpose of determining eligibility before securing loan and sale with loan officer or mortgage broker. Once income eligibility has been determined, the following documents are required to be submitted:

- Underwriting and Transmittal Summary
- Loan Estimate and Closing Disclosure
- Signed Loan Application (1003)
- Sales Contract
- Notice to Seller
- Buyer Receipts for POCB's (if applicable)
- Proof of Homeowner's Insurance
- Preliminary Title Report
- Real Estate Purchase Contract
- Appraisal Report on property

L. Income Requirements

Anticipated annual income of all adults in the household is determined using Annual Income Method described in Title 24 Part 5 of the Code of Federal Regulations and can be found in the HUD's Technical Guide for Determining Income and Allowance. Part 5 definition of annual income is the gross amount of income of all adult household members that is anticipated to be received during the coming 12-month period.

M. Affordability Period and Recapture/Repayment

Assistance is provided in the form of a deferred, forgivable loan. At closing, a promissory note and deed of trust will be executed by the borrower. The deed of trust will exist as a lien filled by the Title Company listing the City of Mesquite as the subordinate lien holder. The lien on the property will be released according to loan terms. The homebuyer must agree with these terms. Applicants who received assistance are required to be the sole owner and reside in the home 5 years after the closing. After 5 years, the loan will be forgiven, and the lien will

be released. If the buyer sells or otherwise fails to maintain the home as their principal place of residence before the five-year term expires, the buyer will be obligated to pay the City of Mesquite the prorated amount of assistance. The recapture/repayment amount will be forgiven by 20% per year or 1/60 per month. The City of Mesquite has the option to contact the new homeowner and mortgage Company to request for reimbursement of funds if our lien has not been properly released.

N. Annual Verification

Each year, buyers through the DPAP will receive an annual verification letter in the mail. The buyer must sign and date the letter confirming that he/she is still the sole occupier of the home. The letter is to be submitted to the City of Mesquite Community Services Division with a copy of the buyer's most recent electricity bill. Annual verification letters are due within 14 business days from the date received.

O. Conflict of Interest

In accordance 24 CFR 92.356 and 24 CFR 570.611, applicants can be denied participation in the City's Down Payment Assistance Program if a conflict of interest exists. A conflict of interest exists if an applicant is an employee, agent, consultant, officer, elected official and appointed official of the City of Mesquite and if within the past 12 months, and of the following three statements applies to any of the applicants:

- Exercises or who has exercised any function or responsibilities with respect to funds for this program
- Participate or has participated in the decision-making process related to funds for this program
- Is or was able to gain inside information with regards to program activities

IV. PROPERTY QUALIFICATIONS

To be eligible, the property must be located within the city limits of Mesquite and meet the program's housing quality standards and pass an inspection for those standards and applicable City codes. After a purchase contract by the seller has been accepted, the buyer's real estate representative should contact the City to schedule an inspection to ensure the property meets city property standards. The buyer is also required to obtain a home inspection from a certified home inspector before approval of assistance according 24 CFR 982.628(a)(3).

Qualifications

- The property must be within Mesquite city limits.
- The property must be a single-family residence dwelling
 - Property must be a residence that is permanently affixed to a permanent foundation. Townhomes and Condos are eligible. *This definition does not include mobile homes or trailers.*
- The property must pass a home inspection prior to approval of assistance
- The property located in floodplain or floodway must carry flood insurance for life of Affordability Period and require special approval from Manager of Housing and Community Services
- Properties built in or before 1978 are required to undergo a visual assessment of the home for deteriorated paint. If any paint is found to be deteriorated, either inside or outside, the paint must be repaired, and then the entire house must be inspected for the presence of lead-based paint dust. If lead dust is present, the City will not be able to provide any financial assistance, unless the owner is willing to do what is necessary to eliminate the lead hazards in the house.
 - The Grant Coordinator will be responsible for discussing lead paint issues and providing the applicant with a "Protect Your Family from Lead in Your Home" booklet. The applicant will sign a form verifying they have received and discussed the lead information.
- The property cannot be a foreclosed sale
- The property must be vacant and have been vacant for a minimum of 90 days, occupied by the owner/seller of the property, or rented by the applicant. The property may not be renter occupied for the last three (3) months unless the renter is purchasing the property.

V. IMPLEMENTATION PROCESS

A. Plan

- The applicant will need to complete a program application and submit it with supporting documents.
- The applicant will order and pay for a TREC (Texas Real Estate Commission) inspection and submit it to the program administrator.
- The City will schedule a housing quality standard inspection once the applicant has been approved for assistance.
- The program administrator will review the application packet and supporting documents and verify that all information is correct. A response will be provided within 10-14 business days. All incomplete packets will not be processed until all information is received.
- Once approved, the City will reserve assistance funds for the applicant.
- The program administrator will then request a wire transfer payable to the title company for the amount of the down payment and or closing costs.

B. Policy Modifications

The City of Mesquite shall have the authority to make modifications to this policy as necessary for the continued implementation of the Down Payment Assistance program, including but not limited to 1) policy revisions necessary to do a change in the design of the DPA program; and 2) policy changes necessary due to the revisions in the rules and regulations of CDBG monies.