



CITY OF BEND

City of Bend Community Development Block Grant Homebuyer Assistance Policy

**SUBJECT: CDBG MORTGAGE REDUCTION ASSISTANCE/DOWNPAYMENT ASSISTANCE –
LOAN PROGRAM STANDARDS**

PURPOSE

The primary objective of Title I of the Housing and Community Development Act of 1974, as amended, is the development of viable urban communities. This is achieved by: providing decent housing, providing a suitable living environment, and expanding economic opportunities. This activity meets the national objective of benefiting low-and-moderate-income persons.

Any Homebuyer Assistance provided will meet the 2019 - 2023 Consolidated Plan priority of promoting homeownership for low-and-moderate income households through the provision of loans for down payment and closing cost assistance. Additionally these will be delineated in Annual Plan Allocations

HUD CDBG Policy:

Basic Eligible Activities – 24CFR570.201 (n):

CDBG funds may be used for the provision of direct assistance to facilitate and expand homeownership among persons of low and moderate income by using such assistance to-

- (A) subsidize interest rates and mortgage principal amounts for low- and moderate-income homebuyers;
- (B) finance the acquisition by low- and moderate-income homebuyers of housing that is occupied by the homebuyers;
- (C) acquire guarantees for mortgage financing obtained by low- and moderate-income homebuyers from private lenders (except that amounts received under this chapter may not be used under this subparagraph to directly guarantee such mortgage financing and grantees under this chapter may not directly provide such guarantees);
- (D) provide up to 50 percent of any down payment required from low- or moderate income homebuyer; or
- (E) pay reasonable closing costs (normally associated with the purchase of a home)

Activities that support development of housing for low- and moderate income persons such as acquisition, clearance, and site improvements (when land is in public ownership) are also eligible for CDBG assistance.

ELIGIBLE BORROWERS

- a. Eligible borrowers must be purchasing a single-family home and not own any other real estate.
- b. Borrower must be an owner-occupant of the property and take occupancy within 60 days of acquisition.
- c. Eligible borrowers must meet the Department of Housing and Urban Development (HUD) income requirements for low-and-moderate income households at the time of application. Verification of income will be required.
- d. Borrower must complete an approved homebuyer education course.
- e. Eligible borrowers must qualify for a first mortgage that does not exceed the prevailing market rates. First mortgages must be fixed rates loans with no negative amortization, balloon payments or adjustable rate features.
- f. Borrower's total debt to income ratio, after including CDBG or HOME assistance may not exceed 40%. Loan requests with a combined ratio below 30% will be approved on a case-by-case basis.

RIGHT TO FINANCIAL PRIVACY ACT OF 1978 NOTICE

The Department of Housing and Urban Development (HUD) has a right of access to financial records held by any financial institution in connection with the consideration or administration of the rehabilitation loan for which the borrower applied. Financial records involving the transaction will be available to HUD but will not be disclosed or released to another Government agency or Department without the borrower's consent except as required or permitted by law.

ELIGIBLE PROPERTIES

- a. One unit property, a condominium unit, or a manufactured home (manufactured housing must be connected to permanent utility hookups and must be located on land that is owned by the manufactured housing owner).
- b. Property must be located in the City of Bend.
- c. Total debt secured by the property, including the CDBG- or HOME-funded loans, cannot exceed 100% of the value of the property.
- d. Property must meet all applicable State and local code requirements, and must meet the housing quality standards in 24 CFR 982.401.
- e. Properties constructed or manufactured before 1978 must be inspected for lead-based paint hazards. If deteriorated paint is found it must be properly remediated in compliance with the Lead Safe Housing Rule before closing.
- f. Property must pass an environmental review conducted by City of Bend Economic Development Department staff.

ELIGIBLE COSTS

The Mortgage Reduction loan will cover the following reasonable and necessary costs incurred by the homebuyer;

Eligible Costs

- ◆ Appraisal fee
- ◆ Credit reports
- ◆ Title closing fee

- ◆ Title insurance
- ◆ Recording fee
- ◆ Legal fee

LOAN TERMS AND AMOUNTS

- a. The minimum amount of loan funds for down payment and closing cost assistance is \$1,000 and the Maximum Community Development Block Grant assistance limit is \$50,000.
- b. The loan is silent non-amortizing for 30 years. In year 31, the loan becomes fully amortized at 5% for a term of 10 years and repaid by year 40.
- c. The loan shall become immediately due and payable upon the occurrence of any of the following:
 - i. Title to, or equitable ownership in the property is transferred to any party other than the surviving spouse of the borrower(s), if any; or
 - ii. The borrower(s) vacate the property; or
 - iii. The borrower(s) default in meeting any of the terms and conditions of the loan; or
 - iv. The borrower(s) refinance with cash-out.
 - v. The borrower(s) must provide security for a down payment and closing cost loan in the form of a mortgage or other loan security instrument. In the case of multiple ownership, the signature of every titleholder to the property will be required on each instrument that evidences or secures the loan.
- d. The borrower(s) must agree to maintain the property in decent, safe, sanitary, and sound condition during the term of the mortgage reduction loan.
- e. The borrower(s) must maintain property insurance on the property as required, during the term of the loan and list the City of Bend as a Mortgagee.