

City of Hammond
Department of Planning & Development
2018-2019 Homebound
Home Ownership Program



Down Payment Assistance

I. Geographic Location

Within City of Hammond corporate limits.

II. Eligible Property

Property which will serve as the recipient's principal residence.

A. Existing residential properties that meet the HUD *Housing Quality Standards

1. Single family (one unit structure)
2. Condominium (or Townhouse)

B. New Construction

1. Single family (one unit structure)
2. Condominium (or Townhouse)

III. Ineligible Property

1. Multi-Family Homes
2. Manufactured Homes

IV. Eligible Applicants

- A. Total Household Income not to exceed Eighty percent (**80%**) of Area Median Income. (Police officers, Firefighters, and Educational Professionals are exempt from the income requirement.)
- B. Hammond City Employees working directly in the Homebound Program for Department of Planning & Development are ineligible for forgivable loan assistance.
- C. A Prospective buyer, who seeks this forgivable loan, is required to fill out an application with the City of Hammond's Dept. of Planning & Development Rehabilitation Loan Officer.
- D. Does not currently own a home and has not owned a home in the last 12 months. (Police officers, Firefighters, and Educational Professionals cannot currently own a home.)

V. Financing Guidelines

- A. **Grant Amount will provide up to 50% of the required down payment and pay reasonable closing costs in a minimum amount of \$1,000.00 to a maximum total grant of \$2,500.00.** Police Officers, Firefighters and Educational Professionals (defined as those that are licensed or administrative professionals working for any licensed educational institution) will be eligible for a **maximum total grant of \$3,500.00 (Police Officers, Firefighters and Educational Professionals does not have to match the \$3,500.00).**

The buyer must have saved or have credits or gift funds to contribute as equity for their own closing and/or down payment costs, amounting to at least 50% of the required closing and/or down payment costs. These funds will be defined as their contribution or equity (**Borrower's Funds used for the down payment, earnest money, and those used for pre-paid expenses such as appraisal and credit reports are among those that qualify as their contribution or equity for the Matching Funds**). The city's forgivable loan will provide up to 50% of the down payment and /or closing costs up to a maximum total forgivable loan of \$2,500.00 for existing homes.

Buyers of properties being newly constructed are eligible for \$5,000 forgivable loan (those obtaining \$5,000.00 and assistance funding are exempt from the household income guidelines). The house must be newly constructed by the buyer.

For the new constructed home program, if the bank does not allow for a lien to be placed on the property until after the primary closing has occurred, the applicant can choose to receive the funds directly after the mortgage closing has already been processed. The applicant will not receive the check until the completion of the home construction. A check would be made directly to the applicant and the applicant will sign a document allowing the City of Hammond to place a lien on the property in accordance with the homebound program guidelines. In this scenario, the applicant may have to claim the grant as income. It will be solely on the applicant

to talk to a professional and understand the ramifications of accepting a check through this process.

Police Officers, Firefighters and Educational Professionals (defined Educational Professionals are those who 1) **provide instructional support services to early childhood, primary, secondary, or postsecondary students,** 2) **directly supervise those who provide those services to students,** or 3) **provide essential instructional support services directly to students.**) will be eligible for a **total forgivable loan of \$3,500.00 for existing housing.** If they construct a new home they are also eligible for the aforementioned **\$5,000.00 forgivable loan.**

The forgivable loan is subject to recapture if, during the first five years of ownership, the applicant moves, rents, transfers ownership, no longer uses the home as their primary residence, becomes deceased or sells the property.

The DPA (Down Payment Assistance) forgivable loan will be paid back in accordance with the following recapture prorated schedule:

1. Program recipients that move, rent or sell the property within two (2) years of closing will be legally required to pay the city back 100% of the total forgivable loan amount.
2. Program recipients that move, rent or sell the property within the end of second (2nd) year of closing and the third (3rd) year of closing will be legally required to pay the city back 60% of the total forgivable loan amount.
3. Program recipients that move, rent or sell the property within the end of the third (3rd) year of closing and the fourth (4th) year of closing will be legally required to pay the city back 40% of the total forgivable loan amount.
4. Program recipients that move, rent or sell the property within the end of the fourth (4th) year of closing and the fifth (5th) year of closing will be legally required to pay the city back 20% of the total forgivable loan amount.

(These recapture provisions will be secured through a retention agreement or any other legal instrument required by the city)

- B. Applicants are encouraged to seek financing by a licensed financier with an office within the Hammond city limits.
- C. Applicants approved for a mortgage loan are eligible so long as the mortgage product is not financing an inflated purchase price or closing cost, including commissions, origination fees or interest rate buy downs. The city will examine every application for evidence of predatory lending practices and report suspect arrangements to the Indiana Secretary of State for investigation.
- D. **Qualifying ratios: Total housing expenses (PITI) must not exceed 35 percent of monthly income, and total debt service must not exceed 50 percent of monthly income.**
- E. Beneficiary will execute a grant/retention agreement and a restrictive covenant with the City of Hammond to occupy the housing unit for a period of not less than five (5) years.
- F. Additional guidelines:
 - 1. Homebuyer Education Workshop (8 Hour class)
 - 2. Certificate of completion must be submitted.

VI. Federal Legislative and Regulatory Requirements

Homebuyers who receive federally funded down payment assistance, are required to meet all applicable federal regulations in order to meet program requirements. These types of requirements are, but not limited to, such things as:

- 1. Lead Base Paint visual assessment and compliance.
- 2. Dwelling Inspection, to meet some minimum housing quality standards. (conducted by City of Hammond Code Enforcement)
- 3. Home inspection (Licensed)
- 4. Income and other verifications (when applicable)

VII. Lending Institutions

- A. The City of Hammond Rehabilitation Section, must receive a complete legible loan package for review and approval including HUD documentation required for HOME or CDBG funds contingent on the funding source used by the city.
- B. Closing disclosure must show where The City of Hammond Rehabilitation Section funds are used.
- C. At least 2 business days before closing, The City of Hammond Rehabilitation Section must receive a final closing disclosure for review and approval. **NO EXCEPTIONS!**

THESE GUIDELINES OUTLINE THE BASIC FUNDING REQUIREMENTS OF THIS PROGRAM AND NOT MEANT TO BE ALL-INCLUSIVE.

The funds for this program are limited. As such, they will be available on a first-come, first-served basis. This funding program cannot be combined with other City programs.



The City of Hammond is an Equal Opportunity Lender.

**For more Information or to make your appointment, please call Andria R. Lewis,
Rehab Loan Officer at 219-853-7326**