



City of Dallas

Homebuyer Assistance Program Manual

2020-2021

Funded by
U.S. Department of Housing and Urban Development
(HUD)

Revised 6/1/2021



City of Dallas

"Offering housing programs that strengthen communities"

The City of Dallas Housing and Neighborhood Revitalization Department offers a variety of programs to assist Dallas residents and strengthen communities. The Department's goals are to increase home ownership opportunities, especially for low-income families; preserve existing owner-occupied and rental housing stock; increase availability of affordable housing opportunities; and support neighborhood and community-based preservation and revitalization efforts.

Since 1991, the City of Dallas Homebuyer Assistance Program (DHAP) has provided a program for families purchasing homes within the city limits of Dallas with funding from the U.S. Department of Housing and Urban Development (HUD) using HOME Investment Partnership funds and Community Development Block Grant funds. To date, the City of Dallas has assisted with the closing and funding nearly 7,900 loans.

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Contact Information and Office Schedule

City of Dallas

1500 Marilla Street, Suite 6CN
Dallas Texas 75201
Phone: 214.670.3644
Fax: 214.670.7831
www.dallashousingpolicy.com

Hours of Operation

Monday through Friday
8:15 a.m. to 5:15 p.m., CST

Dallas Homebuyer Assistance Program Team

Tammi Southall

Housing Project Manager

214.670.4194

tammi.southall@dallascityhall.com

Reginald Giles

Housing Program Coordinator

214.243.1184

reginald.giles@dallascityhall.com

Surya Sherrod

Housing Program Coordinator

214.671-0592

surya.sherrod@dallascityhall.com

Reese Collins

Area Redevelopment Manager

214.670.3954

reese.collins@dallascityhall.com

Holidays

2020

Thanksgiving Day

November 26-27

Christmas Day

December 25

2021

New Year

January 1

Martin Luther King, Jr. Day

January 18

Presidents' Day

February 15

Memorial Day

May 31

Independence Day

July 5

Labor Day

September 6

City of Dallas

Homebuyer Assistance Program

For the 2020-2021 program year DHAP has been structured with the purpose of providing home ownership opportunities for low-to-moderate income families, as well as incentivizing the purchase of new construction homes in order to enhance the City’s property tax base.

The Dallas Homebuyer Assistance Program is designed to provide down payment, closing cost assistance and principle reduction to homebuyers purchasing an already existing or newly constructed home within the city limits of Dallas.

1. DHAP loans do not accrue interest, and do not require a monthly payment. It is a deferred, forgivable loan with forgiveness occurring incrementally with the residency terms of the loan (affordability period). Partial payment is due upon sale, lease, lease with option to purchase, transfer or other disposition (including contract for deed) of the property. These loans are secured by a second lien on the property.
2. Applicant must contact DHAP for an in-office appointment for applicant prequalification of income eligibility.
3. Applicant must owner-occupy the property as their homestead.
4. Applicant(s) with projected annual earnings no less than 60 percent and up to 80 percent of the Dallas Area Median Family Income (AMFI) in household income may be eligible to obtain a second-lien loan.
5. The homebuyer assistance will be provided at closing.
6. Assistance under \$15,000 has a 5-year affordability period. Assistance of \$15,000 to \$40,000 has a 10-year affordability period. Assistance more than \$40,000 has a 15-year affordability period.
7. Applicant may obtain a Conventional, FHA, Portfolio or VA loan through an approved lender. Lender MUST establish an escrow account for Taxes and Insurance.
8. Unallowable: High Cost or Sub-Prime Loans, Adjustable Rate Mortgages (ARM), Interest only loans, Discount Points paid by Borrower, and Cash Back at Closing.
9. HOME maximum sales price cannot exceed: Existing Properties - \$246,000, New Construction - \$253,000.
10. Homebuyers are required to sign homebuyer written agreements for the assistance provided.

TARGETED HOMEBUYER INCENTIVE PROGRAM

This program offers financial assistance for those in educational instruction and library occupations; healthcare practitioners and technical occupations; healthcare support occupations; and protective service occupations, including but not limited to fire fighters and police officers, who purchase a property in the City of Dallas. Applicants with an income up to 120% AMI who qualify for this program may receive down payment assistance funds up to \$45,000. All other DHAP terms, as stated above, shall apply to this program.

ANNUAL HOUSEHOLD INCOME

The table below illustrates the household taxable income requirements for each family size.

Income Range	60% AMI Minimum	80% AMI* Maximum	120% AMI** Maximum
Household Size	Household Income	Household Income	Household Income
1	\$37,380	\$49,850	\$74,760
2	\$42,720	\$57,000	\$85,440
3	\$48,060	\$64,100	\$96,120
4	\$53,400	\$71,200	\$106,800
5	\$57,720	\$76,900	\$115,344
6	\$61,980	\$82,600	\$123,888

**Income figures as published by HUD effective June 1, 2021 **Targeted Homebuyer Incentive Program Income Limits*

Eligible Applicant Requirements

- For loans funded under the HOME Investment Partnership Program, see the City of Dallas Homebuyer Assistance Program Underwriting Guidelines Section.
- Applicant must be U.S. citizens or permanent residents, and possess a valid Social Security Administration issued Social Security Card.
- Permanent residents must provide a copy of both sides of their unexpired permanent resident card from the Immigration and Naturalization Services.
- Applicant must have continuous, satisfactory employment history for the past six months.
- Applicant and co-applicant must successfully complete an 8-hour homebuyer education course from a DHAP and HUD approved education provider within 12 months of the application for assistance.
- Applicant must be pre-qualified for a mortgage loan by a DHAP approved mortgage lender.
- Applicant must make a minimum initial cash investment of \$1,000 toward the purchase of the property.
- Applicant must have acceptable credit. Funding cannot be used to artificially reduce buyers' payments, particularly when a buyer's ability to qualify for a loan is the result of excessive consumer debt.
- Co-Signers are not eligible.
- Heirs
 - The DHAP loan may be transferred to the heir(s) of the borrower if the heir(s) meet the income requirements of the program and occupies the assisted property as their primary residence for the remaining of the affordability period of the loan.
 - If the heir(s) do not meet the income requirements of the program, the remaining balance of the loan is due and payable to the City.

Funding Determination

The maximum assistance available for a buyer is based on need as determined by the following underwriting criteria.

Maximum Assistance

- The maximum assistance available for a buyer in a High Opportunity Area is \$60,000.
 - High Opportunity Areas are areas within the City of Dallas where the census tract has a poverty rate of 20% or below.
- In all other areas, the maximum assistance is \$40,000.
- Targeted Homebuyer Incentive Program up to \$45,000.
- Subsidies are subject to fund availability on a first-come, first-served basis. Acceptance of an application for DHAP in no way constitutes a commitment or obligation on the part of the City of Dallas. No commitment is made or implied until the City of Dallas has approved funding for each application. Due to funding limitations, no applicant should assume any commitment even when an applicant must expend personal funds to meet application requirements.

Debt to Income Ratios

- First mortgage amount must have a front end ratio of 26% - 32%.
- First mortgage amount must have a back end ratio no higher than 45%
- Be qualified by their lender to spend at least 28% of their monthly gross income on their housing.

City of Dallas Homebuyer Assistance Program

Underwriting Guidelines

General

The City of Dallas is a Participating Jurisdiction (PJ) under the federal HOME Investments Partnership Program, receiving an allocation of HOME funds from the US Department of Housing and Urban Development that is used to support affordable housing activities in the community. As part of the local HOME Program, the PJ provides assistance to low income homebuyers. This assistance can be used toward an eligible buyer's down-payment or closing costs or can be used as direct financing that reduces the size of a buyer's primary loan (i.e. first mortgage) to a level that is affordable.

In providing assistance to homebuyers, the PJ has to balance potentially competing perspectives. First, the PJ wants to ensure that participating buyers will be successful homeowners, so the program should target households who are ready for homeownership and provide enough assistance to make the home affordable. At the same time, buyers should only be provided with the assistance they "need" so that the program can serve as many households as possible with limited HOME funds. Finally, the PJ seeks to ensure that assisted buyers are informed consumers and avoid the use of risky lending products.

To balance these priorities, the PJ has developed these underwriting guidelines, which are based on the following key principles.

- Assisted buyers should have good credit and qualify for competitive lending products on par with those offered to credit-worthy unassisted buyers in the local market. Buyers who can only qualify for subprime loans are not only less likely to sustain homeownership but also require larger subsidies, reducing the impact of the PJ's HOME program.
- Assisted buyers should make reasonable and meaningful contributions to their home purchase in terms of both up-front investments and monthly payment without being overburdened by their monthly payment or left without cash reserves after closing. **HOME assistance should not be used to artificially reduce buyers' payments, particularly when a buyer's ability to qualify for a loan is the result of excessive consumer debt.**

Applicability & Exceptions

This policy is applicable to all homebuyer units supported by the PJ's HOME program. This includes situations where HOME funds are being used to provide direct buyer assistance (e.g. down payment and closing costs) supporting a buyer's purchase of a home for sale by a private seller. It also applies to the sale of any home built or rehabilitated by a participant in the PJ's HOME program (including subrecipients, developers, or CHDOs) whether or not the ultimate sale to the buyer includes direct assistance.

While there may be individual cases where these requirements may be waived, program participants should request specific exceptions in writing prior to making any commitments to prospective buyers who cannot qualify within these criteria. The PJ's HOME partners are reminded that they will be responsible for representations and/or commitments made to prospective buyers without prior approval by the PJ.

Maximum Homebuyer Assistance

- The maximum HOME-assistance available for a buyer is based on need as determined by the following underwriting criteria. Not all buyers will qualify for assistance. The assistance available to any given buyer is based on the PJ's assessment of the buyer's need, taking into account the additional criteria outlined below.

Buyer Expectations

To ensure that buyers are likely to sustain homeownership, assisted buyers must:

- Be purchasing the home for a reasonable price that does not exceed the fair market value as determined by an independent appraisal. In most cases, the PJ will coordinate with the buyer's senior lender to obtain a copy of the lender's appraisal. Additionally, the home must have a sales price less than or equal to the applicable HOME Homeownership Value limit for the type (new or existing) and location of the home. These limits are updated annually by HUD and can be obtained from the PJ.
- Have household incomes of 60% to 80% of the Area Median Income (AMI) as adjusted for household size. HOME limits assistance to households with incomes at or below 80% AMI. While the PJ is concerned about the housing needs of lower income households, it also recognizes that homeownership requires buyers to have sufficient discretionary income to maintain their homes over time, absorb increases in taxes and insurance, and otherwise address unexpected expenses. As a result, the PJ focuses its homebuyer assistance to buyers with incomes of at least 60% AMI.
- Contribute at least \$1,000 toward down payment and closing costs. Additionally, buyers should have sufficient cash resources (including savings, checking, money market, or other similar non-retirement accounts) such that after closing they have savings of at least two (2) times their total monthly payment, including principal, interest, taxes, insurance, and any association fees.

Buyers with liquid assets in excess of \$10,000 will be required to invest assets above \$10,000 toward the purchase of the home before receiving HOME-assistance. For purposes of this requirement, liquid assets are those readily convertible to cash (including but limited to savings or checking accounts, certificates of deposit, stocks and bonds, etc.). Liquid assets, however, exclude life insurance policies and any savings held in a tax-preferred retirement account (e.g. pension, 401(k), IRA, etc.), college savings plan (e.g. 529 account), or health savings account recognized by the Internal Revenue Service.

- Obtain a loan whose monthly payment (i.e. front-end ratio) is at least 26% and not exceed 32% of monthly income and that does not result in a total debt burden (i.e. back-end ratio) in excess of 45%. Buyers should be qualified by their lender to spend at least 28% of their monthly gross income on their housing. While the recent foreclosure crisis has reduced the availability of lending products that allow buyers to take on excessive monthly payments, some such products are still available. Even when assisted buyers are willing to take on larger monthly payments, the PJ has determined that buyers with excessive payments are less likely to sustain homeownership.

- Complete Pre-Purchase Homeownership as required below.
- Obtain a mortgage or senior loan that meets the requirements outlined below.

Pre-Purchase Counseling Requirement

To ensure that buyers receive are informed consumers, the PJ requires:

- Attendance within the past year at a PJ-approved pre-purchase homeownership counseling course by all adult household members who will hold title and be party to the senior loan; **and**
- That such counseling consists of at least 8 hours of instruction by a HUD-certified counselor.

The PJ has a list of certified counseling agencies that they will provide to potential buyers. Potential buyers should contact an agency on this list to register for an upcoming class.

Primary Loan Expectations

To ensure that buyers receive high quality loans that are sustainable over time, the PJ requires that any buyer receiving HOME assistance towards closing costs, down payment, or a portion of the purchase price receive a senior loan (i.e. first mortgage) meeting the following criteria:

- The loan must be a conventional, FHA, VA or portfolio loan from an approved lender. The loan cannot be a High Cost or Sub-Prime Loans, Adjustable Rate Mortgages (ARM), Interest only loans, Discount Points paid by Borrower, and Cash Back at Closing.
- Interest rates must be competitive and must NOT be a “Higher Priced” loan as defined by CFPB. Higher priced loans are those that exceed the Average Prime Offer Rate by more than 2.0% as of the date of the loan’s rate lock. Loans can be checked against the Average Prime Offer Rate by visiting the following website: <http://www.ffiec.gov/ratespread/newcalc.aspx>
- Lending products should be fully amortizing 30-year fixed rate loans. While some buyers may prefer shorter (e.g. 15 year) loans, the PJ will only consider such loans on an exception basis if it determines that the buyer’s payment is sustainable and that the use of a shorter-term product does not require additional HOME assistance compared to a 30-year loan.
- Loan products used must generally allow loan-to-value (LTV) ratios of at least 95%. While assisted buyers are not required to be approved for loan amounts equal to 95% of the purchase price, buyers who use more restrictive lending products (such as those limiting the LTV to 80%) will not receive HOME assistance toward their purchase if they could otherwise afford the monthly payment on a larger loan. In short, buyers should obtain the largest loan they can reasonably afford, and the PJ will not subsidize purchases more deeply just to avoid mortgage insurance on higher LTV lending products.

Subordination of HOME-Funded Liens

After providing assistance to eligible homebuyers the PJ has ongoing interests in the success of those buyers from the standpoint of both the HOME program and as a local government concerned about the impact of foreclosures on its residents and neighborhoods. To help prevent future foreclosures and to protect the PJ's financial investment in assisted units, subordination of HOME-funded liens to future refinancing by assisted buyers will only be considered under the following circumstances. This policy will also apply to HOME-funded liens resulting from homeowner rehabilitation programs and to any of the PJ's subrecipients or CHDOs who hold secondary liens securing direct assistance provided to buyers or homeowners.

- The new loan must be for the sole purpose of improving the rate and/or extending the term of the existing loan and must result in a low monthly payment for the homeowner. The PJ (including any of its subrecipients or CHDOs who hold secondary liens securing direct assistance provided to buyers) will not subordinate for "cash out" refinancing.

For purposes of this requirement, the new loan may allow the assisted homeowner to finance their closing costs without being considered cash out. Additionally, nominal cash back at closing of less than \$500 resulting from last-minute adjustments to payoff figures, closing costs, tax/insurance escrows and the like will not be considered "cash out."

- The proposed new loan must meet all requirements in the Primary Loan Expectations section above.

The proposed new loan must result in a lower monthly payment for the assisted owner.

Income Calculation

Income of ALL household members who will be in residence or part of the household must be documented and will be used to determine the Annual Household Income. Income eligibility will be determined by using the Part 5 Income Method.

The Part 5 Income Determination is a 12-month projection of a household's gross income. The first step in the process is to ask applicants to declare their household's gross income (and the source of each type of income) on the program application or client intake form. Then, based on the type and source of income declared, source or third-party documentation must be collected for the file to substantiate each type of income listed on the program application or client intake form. Such documentation may not be dated more than six (6) months prior to the date of the income determination. The following list includes many of the common types of source or third-party documentation that should be obtained to substantiate the income declared by an applicant.

PART 5 - SOURCE DOCUMENTATION

Type of Income	Source / Third Party Documentation
<p>1. The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.</p>	<p>Copy of the most recent filed and signed Federal Income Tax Return with all schedules, attachments, W-2s, etc.</p> <p>A minimum of three (3) months consecutive paystubs.</p>
<p>2. The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight-line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.</p>	<p>Copies of the last two (2) most recent filed and signed Federal Income Tax Returns with all schedules, attachments, W-2s, etc.</p> <p>A minimum of three (3) months consecutive paystubs.</p>

<p>3. Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in number 2 (above). Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD.</p>	<p>A minimum of three (3) months consecutive statements for all asset accounts.</p>
<p>4. The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount (except for certain exclusions, listed in "Part 5 - Income Exclusions," number 14).</p>	<p>A copy of the annual letter received from Social Security listing the gross monthly payment. A copy of the three (3) most recent consecutive months of payment checks or statements indicating the gross amount of the payment.</p>
<p>5. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay (except for certain exclusions, as listed in "Part 5 - Income Exclusions," number 3).</p>	<p>A copy of the three (3) most recent consecutive months of payment checks or statements indicating the gross amount of the payment.</p>

<p>6. Welfare Assistance. Welfare assistance payments made under the Temporary Assistance for Needy Families (TANF) program are included in annual income:</p> <ul style="list-style-type: none"> • Qualify as assistance under the TANF program definition at 45 CFR 260.31; and • Are otherwise excluded from the calculation of annual income per 24 CFR 5.609(c). <p>If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:</p> <ul style="list-style-type: none"> • the amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus • the maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is reduced from the standard of need by applying a percentage, the amount calculated under 24 CFR 5.609 shall be the amount resulting from one application of the percentage. 	<p>A letter from the household's case worker indicating the amount of assistance provided and the nature of the assistance, including specific amounts designated for shelter or utilities.</p>
<p>7. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling.</p>	<p>A copy of the divorce decree / judgment listing the amount, period, and duration of alimony payments. A copy of the court order for child support payments, including the amount, period and duration of child support payments.</p> <p>A letter from the individual or organization outside of the household that provides a periodic payment. The letter should include the reason, amount, period and duration that the payments are expected to continue.</p>
<p>8. All regular pay, special pay, and allowances of a member of the Armed Forces (except as provided in number 8 of Income Exclusions).</p>	<p>A minimum of three (3) months consecutive paystubs (a minimum of two (2) months for HOME funded activities).</p>

It is recommended that agencies request the following documents with the program application or client intake form: Copy of the most recent filed and signed Federal Income Tax Return with all schedules, attachments, W-2s, etc. Three (3) months consecutive paystubs for all wage earners for HOME funded activities). Three (3) months consecutive statements for all asset accounts (checking, savings, CDs, Annuities, trusts, stocks, bonds, etc.)

PART 5 - INCOME INCLUSIONS

1. The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.
2. The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight-line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.
3. Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in number 2 (above). Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD.
4. The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount (except for certain exclusions, listed in "Part 5 - Income Exclusions," number 14).
5. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay (except for certain exclusions, as listed in "Part 5 - Income Exclusions," number 3).
6. Welfare Assistance. Welfare assistance payments made under the Temporary Assistance for Needy Families (TANF) program are included in annual income:
 - Qualify as assistance under the TANF program definition at 45 CFR 260.31; and
 - Are otherwise excluded from the calculation of annual income per 24 CFR 5.609(c).

If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:

- the amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus
- the maximum amount that the welfare assistance agency could in fact allow the family

for shelter and utilities. If the family's welfare assistance is reduced from the standard of need by applying a percentage, the amount calculated under 24 CFR 5.609 shall be the amount resulting from one application of the percentage.

7. Periodic and determinable allowances, such as alimony and child support payments, and

regular contributions or gifts received from organizations or from persons not residing in the dwelling.

8. All regular pay, special pay, and allowances of a member of the Armed Forces (except as

provided in number 8 of Income Exclusions).

PART 5 - INCOME EXCLUSIONS

1. Income from employment of children (including foster children) under the age of 18 years.
2. Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone).
3. Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains, and settlement for personal or property losses (except as provided in number 5 of Income Inclusions).
4. Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member.
5. Income of a live-in aide (as defined in 24 CFR 5.403).
6. Certain increases in income of a disabled member of qualified families residing in HOME- assisted housing or receiving HOME tenant-based rental assistance (24 CFR 5.671(a)).
7. The full amount of student financial assistance paid directly to the student or to the educational institution.
8. The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
9. (a) Amounts received under training programs funded by HUD.
(b) Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS).
(c) Amounts received by a participant in other publicly assisted programs that are

specifically for,
or in reimbursement of, out-of-pocket expenses incurred (special equipment, clothing, transportation, childcare, etc.) and which are made solely to allow participation in a specific program.

(d) Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, resident initiatives coordination, and serving as a member of the PHA's governing board. No resident may receive more than one such stipend during the same period of time.

(e) Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives and are excluded only for the period during which the family member participates in the employment training program.

10. Temporary, nonrecurring, or sporadic income (including gifts).

11. Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era.

12. Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household or spouse).

13. Adoption assistance payments in excess of \$480 per adopted child.

14. Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts.

15. Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit.

16. Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home.

17. Amounts specifically excluded by any other Federal statute from consideration

as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the Federal Register and distributed to housing owners identifying the benefits that qualify for this exclusion.

Updates will be published and distributed when necessary. The following is a list of income sources that qualify for that exclusion:

- The value of the allotment provided to an eligible household under the Food Stamp Act of 1977;
- Payments to volunteers under the Domestic Volunteer Service Act of 1973 (employment through AmeriCorps, VISTA, Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions);
- Payments received under the Alaskan Native Claims Settlement Act;
- Income derived from the disposition of funds to the Grand River Band of Ottawa Indians;
- Income derived from certain sub-marginal land of the United States that is held in trust for certain Indian tribes;
- Payments or allowances made under the Department of Health and Human Services' Low- Income Home Energy Assistance Program;
- Payments received under the Maine Indian Claims Settlement Act of 1980 (25 U.S.C. 1721);
- The first \$2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the U.S. Claims Court and the interests of individual Indians in trust or restricted lands, including the first \$2,000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands;
- Amounts of scholarships funded under Title IV of the Higher Education Act of 1965, including awards under the Federal work-study program or under the Bureau of Indian Affairs student assistance programs;
- Payments received from programs funded under Title V of the Older Americans Act of 1985 (Green Thumb, Senior Aides, Older American Community Service Employment Program);

- Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in the In Re Agent Orange product liability litigation, M.D.L. No. 381 (E.D.N.Y.);
- Earned income tax credit refund payments received on or after January 1, 1991, including advanced earned income credit payments;
- The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990;
- Payments received under programs funded in whole or in part under the Job Training Partnership Act (employment and training programs for Native Americans and migrant and seasonal farm workers, Job Corps, veterans' employment programs, state job training programs and career intern programs, AmeriCorps);
- Payments by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation;
- Allowances, earnings, and payments to AmeriCorps participants under the National and Community Service Act of 1990;
- Any allowance paid under the provisions of 38 U.S.C. 1805 to a child suffering from spina bifida who is the child of a Vietnam veteran;
- Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victims of Crime Act because of the commission of a crime against the applicant under the Victims of Crime Act; and
- Allowances, earnings, and payments to individuals participating in programs under the Workforce Investment Act of 1998.

PART 5 - NET FAMILY ASSET INCLUSIONS

1. Cash held in savings accounts, checking accounts, safe deposit boxes, homes, etc. For savings accounts, use the current balance. For checking accounts, use the average balance. Assets held in foreign countries are considered assets.
2. Cash value of revocable trusts available to the applicant.
3. Equity in rental property or other capital investments. Equity is the estimated current market value of the asset less the unpaid balance on all loans secured by the asset and all

reasonable costs (e.g., broker fees) that would be incurred in selling the asset. Under HOME, equity in the family's primary residence is not considered in the calculation of assets for owner-occupied rehabilitation projects.

4. Cash value of stocks, bonds, Treasury bills, certificates of deposit, mutual funds, and money market accounts.
5. Individual retirement, 401(K), and Keogh accounts (even though withdrawal would result in a penalty).
6. Retirement and pension funds.
7. Cash value of life insurance policies available to the individual before death (e.g., surrender value of a whole life or universal life policy).
8. Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.
9. Lump sum or one-time receipts, such as inheritances, capital gains, lottery winnings, victim's restitution, insurance settlements and other amounts not intended as periodic payments.
10. Mortgages or deeds of trust held by an applicant.

PART 5 - NET FAMILY ASSET EXCLUSIONS

1. Necessary personal property, except as noted in number 8 of Inclusions, such as clothing, furniture, cars, and vehicles specially equipped for persons with disabilities.
2. Interest in Indian trust lands.
3. Assets not effectively owned by the applicant. That is, when assets are held in an individual's name, but the assets and any income they earn accrue to the benefit of someone else who is not a member of the household and that other person is responsible for income taxes incurred on income generated by the asset.
4. Equity in cooperatives in which the family lives.
5. Assets not accessible to and that provide no income for the applicant.
6. Term life insurance policies (i.e., where there is no cash value).
7. 7. Assets that are part of an active business. "Business" does not include rental of properties that are held as an investment and not a main occupation.

Definition of Household

Household members include:

- Related and unrelated household members (must be on the application)
- Temporarily absent household members
 - Students temporarily away at school
 - Incarcerated for a short time and will return to the household
 - Seasonal workers who will return to the household
 - Active military members who will return to the household
- Shared custody children
 - Must live in the household at least 50% of the time. Supporting source documentation must be submitted.

Supporting documentation for dependents must include legal documents such as:

- | | |
|------------------------|-------------------------------------|
| ▪ Birth Certificate | ▪ Marriage Certificate |
| ▪ Social Security Card | ▪ Court Ordered Custodial Agreement |

Dependents Not Counted:

- Foster children
- Live-in aides and children of live-in aides
- Unborn children
- Children being pursued for legal custody or adoption

Property Requirements

- Properties must be located within the City Limits of Dallas. This may be verified by entering the property address at <http://gis.dallascityhall.com>. This property search system will provide the Dallas City Council District that covers such property.
- Properties must appraise for at least 100 percent of the sales price. The initial sales price of the property cannot exceed the HOME value limit for Dallas.
- Properties must be single-family, detached structures; condominium units; town houses; or one-to-four-unit developments.
- Properties may be occupied by the owner or borrower. Owners may not enter into a contract for a period of at least 60 days after tenant vacates the property.
- Properties must meet City of Dallas Minimum Housing Standards (MHS), including lead-based paint regulations at time of closing. MHS repairs must be completed prior to closing.
- The Borrower must sign Notification: *Watch Out for Lead-Based Paint Poisoning*.
- Borrower must receive a copy of *Protect Your Family from Lead in Your Home, EPA747-K-99-001* available at www.hud.gov/offices/lead. The booklet may also be reproduced from the DHAP web site.
- Borrower must deliver to Seller, who must sign “Notice to Real Property Owner/Seller.”
- HUD Real Estate Owned (REO) Properties built after January 1, 1978 are eligible for DHAP subsidy.
 - HUD Homes must meet all DHAP guidelines.
 - All MHS required repairs must be completed prior to submission of DHAP loan file.
- FHA 203K loans are not eligible for DHAP funding.

MHS Property Review

The goal of DHAP is to provide decent, safe, and sanitary housing. The City has set forth basic Minimum Housing Standards (MHS) that all units must satisfy prior to the completion of the home purchase. The primary objective of these standards is to assure a basic level of acceptable housing and to establish minimum criteria. These requirements focus on health and safety concerns and the functionality of systems.

Authorized representatives of the City of Dallas must make a determination of the structures' MHS acceptability, regardless of the participant's possible willingness to accept any deficient condition. MHS review may not be relied upon by the applicant, for anything other than satisfying DHAP requirements. The City of Dallas does not warranty or guarantee any repair, hidden deficiency or adverse condition of the property before, during or after closing.

All MHS required repairs must be completed prior to closing. MHS reviews must be completed by an authorized representative of the City of Dallas. It is important that MHS reviews are ordered during the option period of the purchase contract. Homebuyers are not allowed to make MHS required repairs to the purchased property.

It is **highly** recommended that applicants obtain a Texas Real Estate Commission (TREC) property inspection, but it is not a requirement to access DHAP. Information obtained in the TREC inspection does not have any bearing on the DHAP application. TREC inspections are much more detailed than MHS reviews and result in a contractual relationship between the TREC inspector and the applicant.

The applicant may select any TREC licensed inspector. Should questions surface about information contained in such TREC inspection, before or after the purchase of the home, the matter should be resolved between the TREC inspector and the applicant. It is not the responsibility of the City of Dallas to address such questions or resolve any issues associated with a TREC inspection.

Review Process

Initial Review

- Once the purchase contract has been executed, DHAP lenders will be allowed to register a homebuyer with DHAP. This should be done swiftly, to ensure that the MHS review is performed during the option period of the purchase contract.
- To request an MHS review, the party attempting to initiate the review must do so by completing and submitting the form located at www.dallashousingpolicy.com under the MHS Review Process tab.
- The form must be completed, and forwarded to the City, along with the attached MHS Review Seller Disclosure to: dhapinspections@dallascityhall.com.
- Within 48 hours of the submission of the request, a representative from the City of Dallas will contact the requesting party to confirm the time and date of the review.

Final Review

- To request a Final MHS Review once all required repairs have been completed, the City must be notified via email, and provided with the completed MHS Final Request Form to: dhapinspections@dallascityhall.com.

- Within 48 hours of the submission of the request, a representative from the City of Dallas will contact the requesting party to confirm the time and date of the final review.

Lead-Based Paint Hazard Reduction

As of September 15, 2000, all houses constructed before January 1, 1978 must meet the HUD lead-based paint regulations. To meet this requirement, the authorized representative from the City of Dallas, while completing the MHS review, will complete a visual assessment for deteriorated paint on all houses built before 1978. All surfaces with deteriorated paint must be stabilized in accordance with Federal lead-based paint requirements.

Definitions

Deteriorated Paint is defined as paint that is:

- Cracking;
- Scaling;
- Peeling;
- Chipping; or
- Loose

De Minimis is defined as areas of deteriorated paint less than:

- 20 square feet on exterior surfaces;
- 2 square feet in any one interior room or space; or
- 10 percent of the total surface area on an interior or exterior type of component with a small surface area like windowsills, baseboards, and trim.

Lead Paint Inspection Process

At the time of the initial MHS review, the authorized representative from the City of Dallas will assess all painted surfaces on all structures (house, detached garage, shed, fence, etc.) to determine if there are any areas of deteriorated paint and to what extent the required MHS repairs will disturb any painted surfaces. If the areas of deteriorated paint and the areas that will be disturbed by the required MHS repairs do not exceed the *de minimis* standard, as defined by HUD, the repairs can be completed within the normal process of DHAP. MHS required repairs must include stabilization and repair of all surfaces with deteriorated paint.

If the areas of deteriorated paint and paint that will be disturbed by the required MHS repairs exceed the *de minimis*, there are two options to address the lead issues in the house:

Option 1: Conduct lead testing and risk assessment on entire unit. If the tests conclude that the paint is not lead-based paint, as defined by HUD, the repairs can be completed under the normal DHAP process. If the tests conclude that the paint is lead-based and hazardous, the owner must

Lead-Based Paint Hazard Reduction Continued

complete all MHS repairs and address all hazardous conditions noted in the risk assessment using safe work practices. Upon completion of the work, the owner must hire a certified technician to complete a clearance test for the entire unit. Once the unit has cleared, the MHS inspector will complete the final MHS review. It is the seller's responsibility to provide all required notifications to the occupants, buyer, etc.

Option 2: Assume the paint is lead-based and complete all repairs and paint stabilization using safe work practices. Upon completion of the work the owner must hire a certified technician to complete a clearance test for the entire unit. Once the unit has cleared, the MHS inspector will complete the final MHS review. It is the seller's responsibility to provide all required notifications to the occupants, buyer, etc.

Once clearance of the unit has been achieved, copies of the clearance report should be forwarded to the DHAP lender to be included in the complete loan submission package delivered to the City by the lender.

Cost of Lead Repairs, Risk Assessment and Clearance Testing

As with any real estate transaction, the costs of inspections, testing and repairs are negotiated by and paid for by the seller.

Loan Processing Procedures

Lenders must advise the borrower to contact DHAP to schedule an in-office appointment for applicant pre-qualification of income eligibility.

Applicants will be assigned a case number through the City of Dallas Neighborly Software System. Upon prequalification for DHAP, an email will be sent to the lender with the applicant's case number and the Neighborly link: <https://portal.neighborlysoftware.com/dallastx/Participant>.

Once the applicant has an executed sales contract, approved underwritten loan documents for the primary mortgage loan must be uploaded into the Neighborly System. Lenders must register for the software using the above link.

The DHAP Lender Loan Submission Form, along with the program application and forms is located www.dallashousingpolicy.com, click the Homebuyer Window then Exhibits and Forms link.

Funding is available on a first come/first service basis.

Lenders who wish to withdraw a DHAP Loan Registration must notify the City by directing an email to dhaploans@dallascityhall.com.

Closing and Funding Procedures

1. After the complete loan package has been submitted to the City by the lender and has been underwritten and pre-approved for eligibility by the City, homebuyers will be contacted to sign City of Dallas Homebuyer Written Agreements prior to closing. All loan files are subject to a final review process and the Homebuyer Written Agreements must be fully executed by the City before closing can be set. The process is approximately 45 days from receipt of an approved primary loan submission package, at which time the lender will receive a Notification of Loan Approval by email. Once the lender receives the Notification of DHAP Loan Approval, the lender must contact the City to set a firm closing date.
2. The City will forward the DHAP lender's request for closing documents to its attorney who will prepare and forward closing documents to the title company performing the closing of the DHAP transaction. DHAP closing documents will be sent to the title company on Mondays and Thursdays only so closing instructions must be submitted to the DHAP staff at least 48 hours in advance.
3. Preliminary Closing Disclosure for the 1st lien mortgage and the HUD-1 or Settlement Statement for the DHAP loan must be submitted by the title company to the DHAP staff prior to closing for review.
4. Only DHAP approved title companies will perform the closing of DHAP transactions. The wire will be made available for the day of the closing.
5. The title company must email a copy of the fully executed Closing Disclosure Form and all other required documents specified in the closing instructions to dhaploans@dallascityhall.com. If all documents are complete, the City will give the title company a funding authorization number to close and fund the loan. **No loan will be funded without a funding authorization number from the City. Title companies will be personally liable for the full amount of the DHAP loan if it is funded without the City's authorization.**
6. On the title commitment, "The City of Dallas, a municipal corporation organized and existing under the laws of the State of Texas" must be reflected as a Second Mortgagee.
7. On the Hazard Insurance Policy, 2nd Mortgagee Clause as follows: City of

Dallas Housing/Neighborhood Revitalization
1500 Marilla, Room 6CN Dallas,
Texas 75201
Attn: Dallas Homebuyer Assistance Program

Estimated 2nd Lien Associated Fee Schedule

Borrower

Second-lien title policy fee (estimated) - **\$285**

Second-lien document recording fee (estimated) - **\$110**

DHAP Partners

**HUD Approved Homebuyer Education
Providers Lenders
Title Companies**

To participate as a DHAP partner, membership applications are available on our website, www.dallashousingpolicy.com. Click the appropriate tab (Lender Resources, Title Companies, Education Providers). Partners are required to renew applications annually every October. All applications must be mailed to our office:

City of Dallas Housing & Neighborhood
Revitalization 1500 Marilla St., Room 6CN
Dallas, Texas 75201
Attention: Dallas Homebuyer Assistance Program

To be eligible for the Dallas Homebuyer Assistance Program (DHAP), the borrower and/or co-borrower must:

- Contact DHAP for pre-qualification of income eligibility.
- Complete a homebuyer education course from a DHAP and HUD approved education provider.
- Obtain financing through a DHAP approved lender
- Close on the home purchase at a DHAP approved title office

All DHAP approved partners are listed at www.dallashousingpolicy.com under the respective partner category.