

# Dallas Homebuyer Assistance Program

Stakeholder Training



# Overview of DHAP

- The Dallas Homebuyer Assistance Program (DHAP) is designed to assist low- to moderate-income homebuyers with ***down payment, principal buy down and closing cost assistance.***
- Entering its' 31st program year, the program has been through many changes over the years. In 2018 it was modified as part of the approval of the City's Comprehensive Housing Policy (CHP).
- City Council approved updates to the program on February 22, 2023 to better reflect the goals of the program and further compliance with federal requirements.
- Changes included increasing the amount of subsidy, addition of a new program and a change in our underwriting criteria.
- Program is currently funded by CDBG, HOME and General Funds.

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# The Three Parts

- Threshold Requirements
- Funding Determination
- Post-closing Considerations



# Part 1: Threshold Criteria

- Applicant
- Property
- First Mortgage



# Eligible Participants: Income Eligibility

- Must be 120% or below the Area Median Income (AMI) at the time of application to the program.
  - Traditional DHAP - Federal funds available can only serve those up to 80% AMI.
  - Targeted Occupations Homebuyer Assistance - General funds available for applicants of targeted occupations between 80% - 120% AMI. (Ex: educational instruction and librarian services, healthcare technical and support, protective services to include fire fighters and law enforcement.
  - Anti- Displacement Homebuyer Assistance - General funds available for current Dallas city residents between 50% - 120% AMI. Applicants must have at least 10 years of residency in the City, collectively
- The income of all household members, whether or not they are on the first mortgage, must be included for DHAP eligibility determination purposes.
- Applicant household's income eligibility is only valid for six months from the date of the income determination. Applicant will receive a letter of conditional eligibility.

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# Eligible Participants – Income Eligibility

- Income eligibility is determined by the Part 5 Income Determination Method.
- It is a determination of a 12 month projection of household income that includes most forms of income and income earned from assets.
- For a list of income and asset inclusions, see the program manual located on our website, [www.dallascityhall.com/DHAP](http://www.dallascityhall.com/DHAP), click the DHAP Lenders link and go to the Lenders Resource Section for Exhibits and Forms.

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# Eligible Participants: Credit

- DHAP does not have a credit score requirement.
- Applicant must have acceptable credit. High cost or sub-prime loans, adjustable rate mortgages, interest only loans are not allowed.
- No Chapter 7 or Chapter 13 bankruptcy if primary or any mortgage is included as a secured creditor on the subject property for which the City will place a lien securing the loan.

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# Eligible Participants: Contribution

- Applicant must make a minimum initial cash investment of \$1,000 toward purchase of home.
- Have sufficient cash resources 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 assistance.

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# Eligible Participants: Contribution

Define:  
**LIQUID**



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# Eligible Participants: Contribution

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.



# Eligible Participants: Additional Items

- Applicant(s) must be U.S Citizens, permanent resident or eligible immigration status and possess a valid social security card.
- Applicant(s) must certify that the home will be their primary residence.
- Applicant must attend an 8-hour homeownership education class from a HUD certified counseling agency within 12 months of application for assistance.
- Applicant must certify annually that the home is not for sale and is the primary residence of the Applicant until the affordability period ends.

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# Ineligible Participants

City Council Members, Department of Housing and Neighborhood Revitalization employees and any employee, official or agent of the City who exercises any policy or program decision-making function in connection with this program are ineligible for assistance under this program. This policy extends for a period of 12 months beyond an individual's disassociation with the City in such a capacity.

HOME requirement at 24 CFR 92.356

CDBG requirement at 24 CFR 570.611(b)



# Eligible Properties:

## General

- Properties must be located within the City Limits of Dallas.
- Properties must be single-family, detached structures; condominium or cooperative units
- Properties may be occupied by the owner or borrower. If occupied by a tenant, the property must be vacated for a period of 60 days prior to execution of sales contract.
- Properties must meet City of Dallas Minimum Housing Standards (MHS), including lead-based paint regulations at time of closing. The inspection should be requested during the option period of the contract. MHS repairs must be completed prior to closing.
- MHS Inspection request forms are available at [www.dallascityhall.com/DHAP](http://www.dallascityhall.com/DHAP), click the DHAP Lender link and go to the Lenders Resource Section.

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# Eligible Properties: Financial

- Maximum sales price for the Traditional DHAP cannot exceed
  - Existing Properties - \$271,000
  - New Construction - \$271,000
- This limit is updated annually (last update was 6/1/2022).
- No sales price limit for the Targeted Occupations and the Anti-Displacement Homebuyer Programs. The sales price will be determined by the mortgage lender based on the buyer's mortgage qualified income and credit. The housing expense ratio (front-end) cannot exceed 35%.
- The property must appraise for at least 100% of the sale price.
- All liens must be paid off at or before closing.

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# Eligible Participants: First Mortgage Requirements

- Borrower must be pre-qualified for a mortgage loan by a DHAP approved mortgage lender.
- Co-signers are not allowed.
- 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. Loans will not be made with an interest rate more than 2% above the prevailing market rate.
- Lending products should be fully amortizing 30-year fixed rate loans.

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# Part 2: Funding Determination

- Maximum Funding
- Underwriting
- Required Documents
- Processing Time

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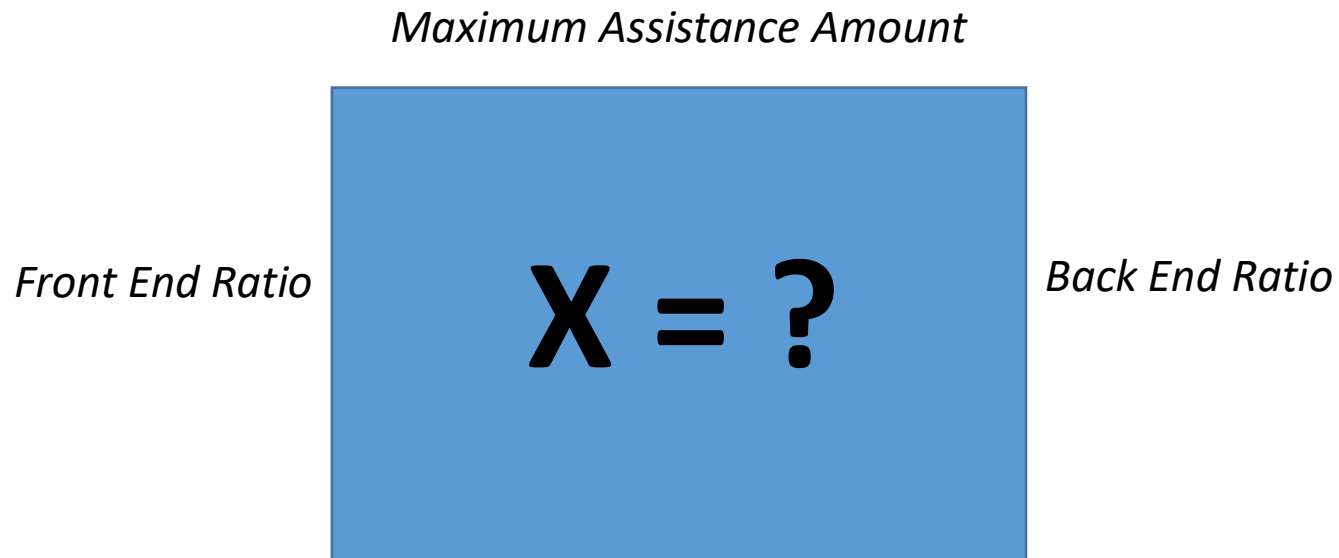


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# Building the Box

Three components of the underwriting criteria work together to determine appropriate assistance.



# Maximum Funding

The maximum assistance available for a buyer is based on need as determined by the following underwriting criteria of a primary loan. The actual amount of assistance will be determined by DHAP Staff. We require a preliminary closing disclosure with an estimate of all closing costs: lender & title fees, escrows, prepays and any applicable credits.

- Traditional DHAP:
  - The maximum assistance available for a buyer in a High Opportunity Area is \$60,000. (High opportunity areas are defined as areas in Dallas with poverty rates 20% or below.)
  - Non High Opportunity areas the maximum assistance will be \$50,000 per household.
- Targeted Occupation applicants up to \$50,000.
- Anti-Displacement Homebuyer Program up to \$50,000.

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# Ratios Requirements...

- First Mortgage Amount must have a front end no higher than 35%.
- First Mortgage Amount must have a back end ratio no higher than 45%
- Homebuyer must be approved for the highest primary loan amount that is reasonable without over subsidizing.
  - Example: Buyer is approved for a conventional loan with 3% down. With the 3% down, if the ratios meet the program requirement, the need of the buyer in assistance is the 3% down payment and closing costs.
  - Assistance may be used to reduce the primary loan amount to meet the front end ratio requirement provided the amount does not exceed the maximum assistance.

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# What Documents Are Needed

- DHAP Program manual (underwriting guidelines)
- Lender Loan Submission Form
- All program forms
- All are available on the website, [www.dallascityhall.com/DHAP](http://www.dallascityhall.com/DHAP), click the DHAP Lenders link and go to the Lenders Resource Section for Exhibits and Forms

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# City of Dallas Homebuyer Assistance Program (DHAP) Lender Loan Submission Form

Loan Number: \_\_\_\_\_

Applicant: \_\_\_\_\_  
Last Name First Name M. I.

Property to be Purchased: \_\_\_\_\_ TX  
Street Number Street Name Unit City State Zip Code

Please Enter the Lender Minimum Required Down Payment for this Purchase\*: \$ \_\_\_\_\_

\*Required down payment for borrower's loan type (Conventional, FHA, Portfolio, VA) if borrower did not utilize DHAP.

**Mark the boxes for each item being submitted below. Please ensure this is a complete submission, otherwise it will not be accepted.**

- Approved Underwriting Transmittal Summary [**Signed and Dated by Underwriter**]
- Lender Uniform Residential Loan Application (Form 1003)[**Signed and Dated by Borrower & Loan Officer**]
- Preliminary Closing Disclosure Form & 2nd Lien HUD1 or Settlement Statement [**Must include all closing costs, prepaids, escrows, credits etc.**]
- Credit Report(s) & OFAC [**Includes Borrowers and Non-Purchasing Spouses**]
- Hazard Insurance Declaration Page " City of Dallas" as Lien Holder (**See DHAP Manual pg. 27 for information**)
- Fully Executed Sales Contract and Addendums
- Uniform Residential Appraisal Report [**with Final if Applicable**]
- Notice to Real Property Owner / Seller [**Completed, Signed, Witnessed, and Dated**]
- Schedules A, B, C & D of Title Commitment [**Schedule A Must Reflect Second Lien**]
- Wiring Instructions for Title Company Performing this Transaction

# Processing Time

When an applicant is prequalified for DHAP, the loan officer will receive an email with the buyer's case number and a link to upload loan documents and submit into our Neighborly Database System.

Upon our initial underwrite of the loan application, all loan files are subject to a final process of the following:

- Department Compliance Review
- Draft/Execution of Homebuyer Written Agreements
- Wire Transfer
- Draft of closing documents for Title

Homebuyers, mortgage lenders and realtors should anticipate up to 45 days for closing from the submission of an approved primary loan file.

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# Part 3: Post-Closing Considerations



- Affordability Requirements
- Recapture Provisions
- Conveyance
- Refinancing

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# Affordability Requirements

- City's recapture provisions will apply.
- DHAP loans do not accrue interest, and do not require a monthly payment.
- It is a deferred, forgivable loan, with forgiveness occurring annually based on the affordability period:
- Traditional DHAP:
  - Loans under \$15,000 have a 5-year affordability period.
  - Loans of \$15,000 to \$40,000 have a 10-year affordability period.
  - Loans of more than \$40,000 have a 15-year affordability period.
- Targeted Occupations & Anti-Displacement Homebuyer Programs:
  - Five(5) year affordability period.
- Homebuyers will be required to sign a Homebuyer Written Agreement.<sup>28</sup>

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# Recapture Provisions

- Applicant must certify annually that the home is not for sale and is the primary residence of the Applicant until the affordability period ends.
- In the event of any of the following occurring prior to the completion of the affordability period the balance is payable immediately.
  - The sale, conveyance, transfer, lease, rental, hypothecation of the Security, or any part thereof, or any interest therein, or divestment of title or any interest therein in any manner or way, whether voluntarily or involuntarily, without the prior written consent of the City being first had and obtained; or
  - Failure to adhere to the provisions of the Participation Agreement; or
  - Failure to perform any obligation under the Deed of Trust securing this Note, or any other Deed of Trust encumbering the Security.

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# Conveyance

- 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 utilizes the assisted property as their primary residence for the remainder of the affordability period.
- If the heir(s) do not meet the income requirements of the program, the pro-rated loan balance is due and payable in full to the City.
- The income requirement for an heir only applies to the Traditional DHAP.
- Heir(s) must in the assisted property and complete the affordability period for the loan to be totally forgiven.

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# Refinancing

Refinancing for better rate and term is permitted upon prior approval of the City. Refinancing of revolving loan accounts, vehicles, credit card debt, or property taxes are NOT allowable refinancing expenses. Cash out are also NOT allowed.

Requests for a payoff, lien release or re-subordination must be submitted online at [www.dallashousingpolicy.com](http://www.dallashousingpolicy.com), click the Compliance and Lien Portfolio Tile.



# Common Mishaps

- Incomplete loan submission packages.
- Ratios do not meet program requirements.
- Inconsistency of amounts in loan documents, ex. 1st lien amounts, hazard insurance.
- Sales contract earnest money receipt page not complete.
- Incomplete preliminary CDF. We need an estimate of all closing costs: lender & title fees, prepaids, escrows and any applicable credits to determine the amount of assistance.
- Title company is not DHAP approved. A list of approved title companies is available on the website. The application to become approved is also available on the website.

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Questions?

