

**CITY OF NEW ORLEANS**  
**HOMEBUYER ASSISTANCE PROGRAM**  
**Underwriting Criteria Summary Sheet**

### **Soft Second Mortgage Terms**

- **Loan Structure:**
    - 10-year forgivable loan with 0% interest.
    - **Repayment Conditions:** Full repayment is required if the buyer sells or moves within 5 years. After year 5, 25% of the mortgage is forgiven, with an additional 15% forgiven annually in years 6 through 9. The loan is fully forgiven by year 10.
    - **Prepayment:** No prepayment penalties.
    - **Assumptions:** Not allowed.
  - **Loan Limit:** The Soft Second Mortgage cannot exceed 50% of the home's purchase price.
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### **Funding Source**

- **Eligibility:**
    - Households earning up to 80% of the Area Median Income (AMI).
    - The maximum loan amount is \$55,000, available for home purchases anywhere within Orleans Parish.
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### **Determining the Soft Second Mortgage Loan Amount**

- **First Mortgage Requirements:**

Lenders must ensure affordability on the borrower's first mortgage before determining the Soft Second Mortgage amount.
  - **Housing Ratios:**
    - **Front-End:** The borrower's gross monthly income-to-housing payment ratio must be between 30% and 33%.
    - **Back-End:** The borrower's total debt-to-income ratio can be up to 48%.
  - **Gift Funds:**
    - Gift funds may contribute up to 10% of the home's purchase price.
    - Proof of gift funds (gift letter and bank statement) must be submitted with the application.
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## Property Eligibility

- **Eligible Property Types:**  
Single-family homes, newly constructed homes, renovated homes, townhouses, and condos within the City of New Orleans.
  - **Purchase Price Limit:**  
The home's purchase price must not exceed \$324,000.
  - **Code Compliance:**  
Properties must meet the City of New Orleans Housing Code, the International Residential Code, and HUD's Housing Quality Standards.
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## Homebuyer Eligibility & Obligations

- **City Employee Eligibility:**  
Employees of the City of New Orleans are eligible.
  - **First-Time Homebuyer Definition:**  
The buyer must not have owned a home in the past 3 years. Exceptions apply for displaced homemakers.
  - **Primary Residence Requirement:**  
The homebuyer must occupy the property as their primary residence for the full 10 years. If the buyer sells or moves before the 10-year period ends, they must repay all or a prorated portion of the Soft Second Mortgage.
  - **Homebuyer Education:**  
All buyers must complete a HUD-approved Homebuyer Education course. A list of approved providers is available on our website.
  - **Training Stipend:**  
A \$350 Homebuyer Education Stipend is due at closing, separate from any class fees.
  - **Title Company:**  
Buyers must select a title company from our approved list. Title companies may contact us to request registration.
  - **Buyer Contribution:**  
Homebuyers must contribute a minimum of 1% of the sale price or \$1,500 (whichever is less) and must have liquid assets equal to at least one month of proposed household expenses after closing costs.
  - **Insurance:**  
Homebuyers must maintain homeowners and flood insurance for the property's full replacement value or sale price. The City of New Orleans must be listed as the "Loss Payee" on both policies, with proof required prior to closing.
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## Closing Cost Assistance

- **Eligibility:**  
Homebuyers earning up to 80% AMI may receive up to \$5,000 in Closing Cost Assistance.
  - **Program Guidelines:**  
The program will cover up to 50% of total closing costs. If the borrower's liquid assets exceed 12 times their monthly household payment (as per the HUD 1003 form) plus the minimum buyer contribution, they must use excess assets to cover closing costs.
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## First Mortgage Loan & Closing Fees

- **Lender Fees:**  
Lenders may charge up to 1 point for origination and up to 1 discount point, along with other customary fees as per FHA guidelines.
  - **Interest Rate:**  
The interest rate on first mortgages cannot exceed 2% above the current market rate published by the Freddie Mac Weekly Mortgage Market Survey (WMMS). Rates can be found on Freddie Mac's website.
  - **Points:**  
Borrowers may opt to pay points to reduce the interest rate.
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## City of New Orleans Office of Community Development Responsibilities

- **File Review:**  
After first mortgage underwriting is completed, the City will review the loan package to verify eligibility, including all household income and supporting documentation.
- **Soft Second Mortgage & Closing Costs:**  
The City will verify the requested Soft Second Mortgage amount and closing cost assistance.
- **Property Inspections:**  
The City will conduct an NSPIRE/HQS inspection to ensure property compliance.
- **Environmental Review:**  
A site-specific NEPA environmental review will be conducted by the City.
- **Commitment Letter:**  
The City will prepare a commitment letter for the buyer to sign, which must be signed before payment processing can begin.
- **Fund Disbursement:**  
The City will request funds for disbursement to the title company once all conditions are met.