

## CDBG-DR Direct Homebuyer Assistance Program

The Direct Homebuyer Assistance Program will strategically promote homeownership opportunities for low to moderate- and mid-income individuals and families who are buying their first homes in the City of New Orleans. This in turn, will reduce blight and promote the development, stabilization, and preservation of the City of New Orleans' housing market.

The First Time Homebuyer subsidy will assist low-moderate income household to become homeowners by providing gap funding between the purchase price of the home and the maximum first mortgage loan amount.

Applications to the program will be accepted on an open or "rolling" basis. All of the program funds will be targeted to low to moderate income (LMI) homebuyers at or below 80% Area Median Income (AMI) who will also be eligible for up to **\$65,000** of down payment and **\$5,000** closing cost assistance.

Participation is open to anyone who meets eligibility requirements and desires to purchase a home in the defined geographic area. First time homebuyers must not have held ownership interest in a primary residence within the last three (3) years and total household income may not exceed 80% of AMI.

Buyers must complete at of homeowner education from a HUD approved participating homebuyer training organization and contribute the lesser of 1% of the sale price or \$1,500 toward the down payment. The homebuyer must maintain the home as their primary residence for at least ten (10) years. After five (5), twenty-five (25%) percent of the loan amount will be forgiven; 15% will be forgiven each subsequent year until the loan is fully retired. Recipients of Road Home Option 1 funds are eligible if they have met the terms of their Road Home covenant and have not owned a home for the past 3 years. Road Home Option 2 and Option 3 recipients are not eligible for funding through this program.

One-unit residential properties located within the City of New Orleans, including in-fill development and renovated homes, are eligible. To qualify for the program, however, the homes must be in compliance with HUD's Housing Quality Standards and the price of the home must be within FHA guidelines and no greater than the median price of other homes in the area. The purchase price of the home may not exceed \$324,000. **Homes located in an area designated by the Federal Insurance Administrator as a special flood hazard area are not eligible for this program.**

The participating lender will qualify the home and the homebuyer for a first-time mortgage and identify the affordability gap between the amount the homebuyer can afford to borrow and the cost of the house. Front-End Ratio (PITI) not less than 30% or greater than 33% Back-end Ratio (DTI) which includes all debts using conforming loan program guidelines cannot be higher than 48%.

Upon completion of the first mortgage underwriting, the lender will forward the loan package to the City's Office of Community Development. The City's responsibilities include:

- Reviewing the homebuyer file to verify the client's eligibility
- Determination of the amount of the soft-second mortgage.
- Conducting the HQS inspection of the property
- Conducting the NEPA site specific environmental review; and

Full repayment of the soft-second mortgage will be mandatory if the loan goes into default or if the homebuyer sells the house within the first ten (10) years of purchasing the home. Twenty-five (25%) of the loan amount will be forgiven after 5 years, and 15% will be forgiven each subsequent year until the loan is fully forgiven. Refinancing the property after purchase is eligible with prior approval by the City of New Orleans' Office of Community Development.