

**HomeFirst Down Payment Assistance Program
 Term Sheet**

<p>Program Description</p>	<p>HPD’s HomeFirst Down Payment Assistance Program provides forgivable loans to support the acquisition of privately owned one- to four-family homes, cooperatives, and condominiums for low- and moderate-income first-time homebuyers.</p>
<p>Borrower Eligibility Requirements</p>	<p>To qualify for HomeFirst funding, the prospective homebuyer must meet all the following criteria:</p> <ul style="list-style-type: none"> • <u>First-Time Homebuyer:</u> Applicant must not have owned a home in the past three years. • <u>Owner Occupancy:</u> Applicant must use the purchased property as their primary dwelling for the duration of the HomeFirst loan term. <ul style="list-style-type: none"> • The borrower must reside and sleep in their primary dwelling unit at least 270 days per year except if the borrower is on active military duty. • The borrower must identify the home as their sole address/residence on all government records, including, but not limited to tax returns, voter registration, and driver’s license. • The borrower may not rent or lease the property. If the property contains more than one unit, the borrower may lease dwelling units other than the unit occupied by the borrower. • Note: Non-occupying co-signors, co-borrowers, and guarantors are not eligible to assist the applicant in obtaining a mortgage. • <u>Familial Purchase Exception:</u> A homebuyer shall not be deemed an eligible homebuyer if the current owner and prospective seller of the home are related, including a parent, child, past or current spouse, in-law, aunt, uncle, niece, nephew, grandparent, cousin, or sibling of a member of the household. • <u>Adequate Documentation:</u> Applicant must provide requisite documentation establishing eligibility (See Borrower Expectation Section). • <u>Homebuyer Certificate:</u> Applicant must complete a homebuyer education course taught by an HPD-approved counseling agency after which they will receive a Certificate issued by HPD. • <u>Private Financing:</u> Applicant must utilize private financing from an HPD-approved participating lender. • <u>Low or Moderate Income:</u> Applicant must have a gross annual household income not exceeding 120% of the Area Median Income (AMI). <ul style="list-style-type: none"> • Note: Income limits are adjusted for family size and are based on the Area Median Income (AMI) calculations established and updated annually by HUD. The latest income limits can be found on the HomeFirst Downpayment Assistance webpage LINKED HERE.
<p>Property Eligibility Requirements</p>	<ul style="list-style-type: none"> • <u>Property Characteristics:</u> <ul style="list-style-type: none"> ○ One, two, three, or four family dwelling. ○ Cooperative, condominium, or traditional home. ○ Passes a housing inspection that meets all applicable state and local housing code requirements within 90 days of closing. • <u>Geography:</u> <ul style="list-style-type: none"> ○ Applicant must purchase an eligible property in the five boroughs of New York City. • <u>Purchase Price:</u> <ul style="list-style-type: none"> ○ Applicant must purchase an existing home at or below 95% of the HUD purchase price limits, except if the property is in an “Exception Area.” ○ One- to four-family homes, cooperatives, and condominiums that are located in an “Exception Area” may exceed the purchase price thresholds linked below.

- If applicants wish to purchase an existing, newly built or rehabilitated home, please visit this [link](#) for eligible purchase price limits.

HPD HomeFirst Loan Terms

- **Loan Amount:** The lessor of:
 - 20% of the total purchase price, or
 - \$100,000
- **Loan Term:**
 - Less than or equal to \$40,000: 10 years, forgivable
 - Greater than \$40,000: 15 years, forgivable
 - **City-funded: 15 years, forgivable regardless of loan amount.**
- **Loan Funding Source:**
 - City Capital funding will only be used as a funding source for loans valued at \$50,000 or greater and other city funding sources will be utilized for loans under \$50,000.
- **Interest Rate:** 0%
- **Eligible Uses:**
 - A HomeFirst loan can be used to for downpayments and closing costs.
 - Closing Costs: Closing costs shall include all customary and eligible closing costs and fees incurred by the borrower, including but not limited to title insurance fees, commitment fees and attorney fees.
 - Note: HomeFirst may not be used to rehabilitate property.
- **Minimum Borrower Equity:** The borrower must provide a minimum downpayment or contract deposit of at least 3% of the total purchase price sourced from their own funds.
- **Fees:**
 - The borrower must pay a non-refundable, \$1,500 application processing fee – payable to the loan servicer (NHS NYC or CNYCN) – using a U.S.P.S. money order, certified check, or an electronic fund transfer. Please contact the loan servicer for additional payment details.
 - The fee is collected in two parts:
 - \$250 upon submission of the application to the servicer
 - \$1,250 upon loan closing.
- **Cancellation/Withdrawal Terms:**
 - The HPD Loan Servicer or HPD may withdraw, cancel, recapture, or refuse to close a HomeFirst loan if:
 - The mortgage lender does not close on the primary mortgage loan within 120 days from the issuance of the Notice of Loan Approval.
 - The borrower is found to be out of compliance with the program requirements.
 - The down payment assistance loan amount or the total combined HOME subsidy on an HPD-sponsored property (i.e. property constructed, rehabbed, or otherwise subsidized by HPD), exceeds the HUD Maximum Per Unit Subsidy Limits; or

- The borrower is found to have provided incorrect information to the mortgage lender, counseling agency, or HPD servicer during the application process.

**Primary
Mortgage
Requirements**

Homebuyers must obtain a primary mortgage commitment from a participating HomeFirst Lender that meets the criteria reflected below to be eligible for a HomeFirst Loan:

- **Loan Term:** Minimum 15 years; Maximum 40 years.
- **Interest Rate:** Fixed; Not adjustable.
- **Amortization:** Fully-amortized.
- **Interest-Only Mortgages:** Interest-only mortgages are not permitted.
- **Mortgage Eligibility:** All products are required to meet FHA, Fannie Mae, or Freddie Mac mortgage underwriting guidelines (*Title I and 203K loans are not acceptable loan products*). 100% Financed mortgages are not accepted under the HomeFirst program.
- **Lender Eligibility:**
 - Mortgages must be obtained through a HomeFirst approved lender. See Lender List [here](#) .
 - Mortgage brokers may not be utilized.
- **Mortgage Documentation Requirement:** Limited, low, and no-document mortgages are not permitted.
- **Loan-to-Value (LTV) Ratio:**
 - Maximum LTV may be no more than 95% except if the mortgage is guaranteed by the U.S. Department of Veterans Affairs (VA).
 - Maximum Combined Loan-to-Value (CLTV) may not exceed 115%.
- **Housing Expense-to-Income Ratio:** Monthly housing expense-to-income ratio may not exceed 50%.
- **Debt-to-Income (DTI) Ratio:** Monthly debt-to-income (DTI) ratio may not exceed 55%.
- **Credit Score:** An applicant must have a minimum 620 FICO score, with the exception that a credit score may be no lower than 580 if an FHA-lender has approved their mortgage.
- **Asset Limit:**
 - The combined value of the applicant's household assets may not exceed household income limit at 120% of Area Median Income (AMI) for the applicant's family size.
 - Household assets include any down payment deposit, monies in savings or checking accounts, certificates of deposit, and stocks and bonds.
 - Household assets do not include non-liquid assets such as retirement or college savings accounts.
- **Gift Limit:**
 - No more than 50% of the contribution to the down payment or mortgage principal may come to the applicant as a gift.
 - The applicant must demonstrate this by providing gift certification letter/s and bank statements from the three months prior to closing that show at least half of the down payment amount in the applicant's account and provide written certification of the same.

**HPD HomeFirst
Loan
Repayment
/Recapture**

The Owner must repay the entire loan amount if:

1. Recipient is found to have provided false information in the application process.
2. Recipient no longer occupies the house as a principal residence.

The owner must repay the lesser of the net proceeds where applicable, or the entire loan, or a portion of, the loan amount if:

1. Recipient sells or transfers the home or any portion or interest in the home at any point within the owner occupancy period - which is 10-years for loans less than or equal to \$40,000.00 or 15-years for loans greater than \$40,000.00.
2. *If the above circumstance occurs beginning on the sixth (6th) anniversary of the loan, the loan amount due will be reduced by 20% each year for loans less than or equal to \$40,000.00, and 10% each year for loans greater than \$40,000.00.*

In the case of a refinance:

1. The purchaser must repay HPD 50% of the refinancing profits. Refinancing profits are considered the amount of total proceeds that exceed the original purchase price.

Note: The loan is non-interest bearing and the amount owed at the time of recapture must be repaid in full, it cannot be repaid in installments. For City-funded HomeFirst Loan recipients, the owner occupancy period is 15 years regardless of the loan amount. Hence, the loan repayment amount will be reduced by 10% each year beginning on the 6th anniversary of the loan.

**Application
Process**

Participating homebuyers are required to complete the following actions and/or documents in order to secure a HomeFirst loan. Closing requirements are as follows:

- **Homebuyer Education Certificate:** Issued by the HPD-approved counseling agency.
- **HPD Completion Certificate:** Issued by HPD upon receipt of the Homebuyer Education Certificate evidencing completion of the homebuyer education course.
- **Identify Property:** Participating homebuyer must locate and identify an eligible property and sign a contract for the purchase in accordance with HomeFirst requirements.
- **Property Inspection:** Participating homebuyers must pay for and have their home inspector complete the HPD HomeFirst Inspection Report indicating that the home is safe for habitation, in good repair, and in compliance with applicable state and local housing quality standards and code requirements. The inspection report must be submitted to HPD no later than 90 days prior to the property closing.
- **Obtain Financing:** Participating homebuyers must obtain a qualifying mortgage loan from an HPD-approved lender. See link below.
- **Submit Documentation:** Participating homebuyers must submit all required documentation to their housing counselor. Housing counselor must submit complete application, on behalf of the applicant, to HPD Loan Servicer. The applicant is responsible for timely responses and submissions and is responsible for ensuring that all documentation submitted is accurate and up to date. HomeFirst Application Documents Checklist, see [HomeFirst website](#).
- **Notice of Loan Approval:** Once an application is submitted to the HPD Loan Servicer, the Loan Servicer will subsequently issue a Notice of Loan Approval. This indicates the approved loan amount and outlines the terms and conditions of the HomeFirst Loan. Once the participating homebuyer receives the Notice of Loan Approval and a list of closing conditions required for the property closing, the borrower must sign and return all documentation to the Loan Servicer within 10 days.
- **Loan Approval & Acceptance Duration:**

- The HomeFirst Notice of Loan Approval issued by the Loan Servicer expires 120 days from the date of issuance.
- The borrower must sign the Notice of HomeFirst Loan Approval and return it to the HPD Loan Servicer within 10 days of issuance.

Participating homebuyers may also expect to sign other documentation, which includes but is not limited to:

- **Homebuyer Assistance Loan Note:** Is the instrument between the NYC Department of Housing Preservation and Development (HPD) and the borrower, which acknowledges the HomeFirst loan being provided to the borrower which the borrower agrees to repay upon any breach of the loan terms, as outlined in the Note.
- **HomeFirst Enforcement Mortgage:** The agreement between NYC Department of Housing Preservation and Development (HPD) and the borrower. It reflects the loan amount and secures the City of New York’s financial interest in the property being purchased. It also establishes the borrower’s intent to comply with the terms, conditions, and requirements of the loan. The Enforcement Mortgage is signed by the borrower at the closing and then recorded against the premises.
- **Homebuyer Conditional Grant Agreement:** If applicable, is executed by the Borrower at closing.
- **HOME Written Agreement or City Subsidy Agreement:** Executed by the Borrower at closing and is recorded on one- to four-family homes and condominiums.
- **UCC Financing Statement with Cooperative Addendum:** Instrument that evidences the City’s security interest on the cooperative unit being purchased. It is delivered at the closing for recording.
- **Owner Occupancy Affidavit:** Executed by the Borrower at closing establishing intent to adhere to all the Owner Occupancy Requirements and to comply with the annual owner-occupancy certification and/or any lawful investigative means employed by the City of New York and/or NYC Housing Preservation and Development to monitor borrower’s compliance after the property is acquired.

Participating Housing Counseling Agencies	All homebuyer education counseling agencies must be approved by the HPD HomeFirst Program. Only homebuyer education training classes offered by an HPD-approved counseling agency will be acceptable to meet the requirements for eligible participation in the program. Approved counseling agencies can be found on the HomeFirst webpage .
Participating Lenders	HPD has approved a designated list of private institutional lenders to participate in the HomeFirst Program by providing purchase money financing to eligible homebuyers for the purchase of an eligible home. See list of HPD-approved HomeFirst Participating Lenders here .
HPD Contact	<p>HomeFirst Down Payment Assistance Program</p> <p>HomeFirst Program 100 Gold Street, Section 9-J Email: HomeFirst@hpd.nyc.gov Website: www.nyc.gov/homefirst</p>