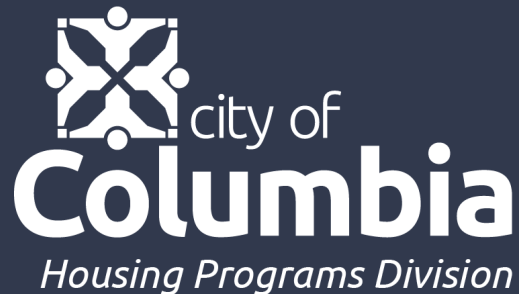


City of Columbia

Homeownership Assistance Program

Presented September 15, 2021



Purpose

The purpose of the Homeownership Assistance Program is to make homeownership more affordable for low to moderate households through down payment and/or closing cost assistance to qualified households purchasing a home within the **City Limits of Columbia**. Applications will only be considered when qualified buyers with properties are under contract.

An assistance amount of \$5,000-\$10,000 may be provided to qualified buyers.

Application, Household and Property Eligibility

- Complete applications must be received 30 days prior to the scheduled closing date.
- Applicant **household** must be at or below 80% of the median family income as defined by HUD
- Property must be maintained as an owner occupied residence
- Must be **first time home buyers** or displaced homemaker
- The property must be an existing single family residence located within the City limits and not within designated flood plains or land known to be the site of previous dumping of toxic or hazardous wastes
- The property must meet City of Columbia minimum property maintenance standards and HUD HOME standards
- Maximum property values may not exceed 95% of the median purchase price for that type of single family housing for that area as published by HUD

Program Income Limits- June 1, 2021

Household Size	Maximum Income
1	\$45,700
2	\$52,300
3	\$58,850
4	\$65,350
5	\$70,600
6	\$75,850
7	\$81,050
8	\$86,300

Source: HUD

Homebuyer Counseling Requirements

- Participants must receive **Homeownership Counseling** in accordance with HOME Regulations 92.254(a)(3) from a **HUD Certified Counseling Agency** prior to executing a written agreement for assistance.
- An Agency can be found via the following link:
<https://apps.hud.gov/offices/hsg/sfh/hcc/hcs.cfm?webListAction=search&searchstate=MO>
- Costs associated with Homeownership Counseling may be paid with closing costs
- Additional free information can be found through the Freddie Mac Homebuyer U program
<https://creditsmart.freddiemac.com/paths/homebuyer-u/>

Underwriting Guidelines and Lender Procedure

- Buyers must provide \$500.00 toward the purchase of the home
- All adult household members must sign a Promissory Note and Deed of Trust for the Loan Amount
- Buyer must meet the front end (housing costs, PITI to gross income) and back end (total debt to gross income) ratios established for the program, 35% and 45% respectively
- The City's assistance is to be used for only closing costs and downpayment assistance
- Families must be pre-qualified by a participating lending in. The lender will be the primary contact for the City of Columbia. Lenders shall submit the required application via the Neighborly Software portal. *portal.neighborlysoftware.com/como/participant*
- Interest rates for participating buyers can be no more than three point above prime

Assistance Determination–Part A

- **Maximum Assistance Amount \$10,000, minimum Assistance Amount of \$5,0000**
- HUD requires homeownership assistance to be appropriate based on the financial circumstances of the household. The Housing Programs Division (HPD) will calculate the assistance grant amount using a four part method.

Federal HOME guidelines require households to have sufficient assets to maintain homeownership long term. To accomplish this, the HPD will determine any shortfall of assets a household may have for a 6 month period to pay for the mortgage payment, minimum monthly debt obligations.

Calculation:

1. $(\text{PITI} + \text{Minimum Monthly Debt Obligations} + \text{Child Care allowance} + \text{Utilities}) * 6 \text{ months}$
2. Subtract previous total from current asset balance=Part A assistance

Assistance Determination–Part B

Applicants must have front end (housing) ratios below 35% to be eligible for assistance. To further ensure affordability the HPD will “buy down” the front end ratio to 25%

Calculation:

1. $(\text{PITI} - 25\% \text{ Housing Ratio}) \times 12 \text{ months}$
2. 25% housing ratio is determined by multiplying gross monthly income by 0.25

Assistance Determination–Part C

Applicants must have back end (debt to income) ratios below 45% to be eligible for assistance. To further ensure affordability the HPD will “buy down” the back end ratio to 35%

Calculation:

1. $(\text{PITI} - 35\% \text{ Housing Ratio}) * 12 \text{ months}$
2. 35% housing ratio is determined by multiplying Gross Monthly Income by 35%

Assistance Determination–Part D

HOME guidelines require the City to consider if a household has sufficient income to pay for recurring monthly expenses beyond the mortgage payment and debt payments. To accomplish this the HPD will look at a residual income model. This residual income model is borrowed in part from the VA model.

1. Calculation:
2. $(\text{Monthly Net Income} - \text{PITI} - \text{Child Care Allowance} - \text{Utilities}) = \text{Residual Income}$
3. $(\text{Pre-Determined Threshold} - \text{Residual Income}) * 12 \text{ months}$
4. Monthly Net Income is determined by net income from applicant check stubs
5. Child Care Allowance is determined on a flat basis of
 - a. \$500 per child 0-5 years of age at time of closing
 - b. \$250 per child 6-12 years of age at the time of closing
6. Utilities calculation: $\text{House square footage} * 0.14$

Assistance Determination: Final

- Part A, Part B, Part C and Part D will be added. If Part A, B, C or D has a negative amount it will be counted as \$0.00 and not deducted from the total.
- The Total amount of Part A, B, C and D will be rounded up to the nearest \$500 increment. A maximum of \$10,000 will be provided. A minimum of \$5,000 will be provided for eligible households.

Homeownership Assistance Determination

	\$ 950.00	PITI						\$ 3,100.00	Monthly Net Income		
+	\$ 325.00	Debts						- 950.00	PITI		
+	\$ 509.00	CC/U				\$ 950.00	PITI	- 250.00	Child Care		
	\$ 1,784.00	Total		\$ 950.00	PITI	+	\$ 325.00	Debts	- 259.00	Utilities	
*	6	Months	-	\$ 875.00	Ratio	-	\$ 1,225.00	Ratio	\$ 1,641.00	Residual Income	
	\$ 10,704.00	Total		\$ 75.00	Buydown		\$ 50.00	Buydown	\$ 738.00	Threshold	
-	\$ 3,500.00	Assets		12	Months		12	Months	*	12	Months
	\$ 7,204.00	Part A		\$ 900.00	Part B		\$ 600.00	Part C		\$ 0.00	Part D

[illegible]