



HOME BUYER ASSISTANCE PROGRAM GUIDELINES

Sixth Amended and Restated Guidelines

Effective: 03/03/2022

EFFECTIVE 03/03/2022

CITY OF HOUSTON

HOUSING AND COMMUNITY DEVELOPMENT DEPARTMENT

601 Sawyer Street, Suite 400

Houston, TX 77007

Program Contact Information

HAP Customer Service 832-394-6200

<https://www.houstontx.gov/housing/hap.html>

hap@houstontx.gov

These guidelines are not meant to be a substitute for Federal regulations nor is it exhaustive regarding all considerations affecting the sources or usage of funds. The HAP is governed by applicable Federal, State and local laws, statutes, regulations, codes and ordinances. Where these guidelines and other applicable laws, statutes, regulations, codes, ordinances, or policies are, or appear to be in conflict, the stricter of the two shall apply.

The Director of the City of Houston Housing and Community Development Department may further amend the guidelines and approve and amend a HAP Procedures Manual in order to comply with applicable requirements of the United States Department of Housing and Urban Development (“HUD”) and other regulatory authorities and/or to ensure the efficient and proper administration of the HAP, provided that, without further Council approval, such administrative revisions (i) must limit to \$30,000.00 the maximum subsidy to program participants and (ii) must limit to 80% the maximum area median income requirement for program participants.



Version History

Version	Date	Changes
1.0	9/27/2005	Original Version
2.0	10/16/2007	N/A
3.0	9/17/2004	N/A
4.0	11/30/2016	<ul style="list-style-type: none"> • Replace HOME funds with CDBG • Inclusion of TIRZ funds • Added flat 5-year affordability period • Increased subsidy amount to \$25,000 • Added tiered approach to determining amount of subsidy qualification
5.0	11/07/2018	<ul style="list-style-type: none"> • Increase maximum subsidy amount to \$30,000 • Allow all eligible homebuyers to receive maximum subsidy • Decrease homebuyer contribution from \$1,000 to \$350 • Added liquid assets limit at \$15,000
6.0	03/03/2022	<ul style="list-style-type: none"> • Removed HOME program • Added additional homebuyer eligibility requirements • Added annual income inclusions and exclusions • Updated area median income limits • Updated application process • Increased liquid asset limit to \$30,000 • Included Version Control Chart • Removed citation 24 CFR 813.106 • Property occupancy requirements

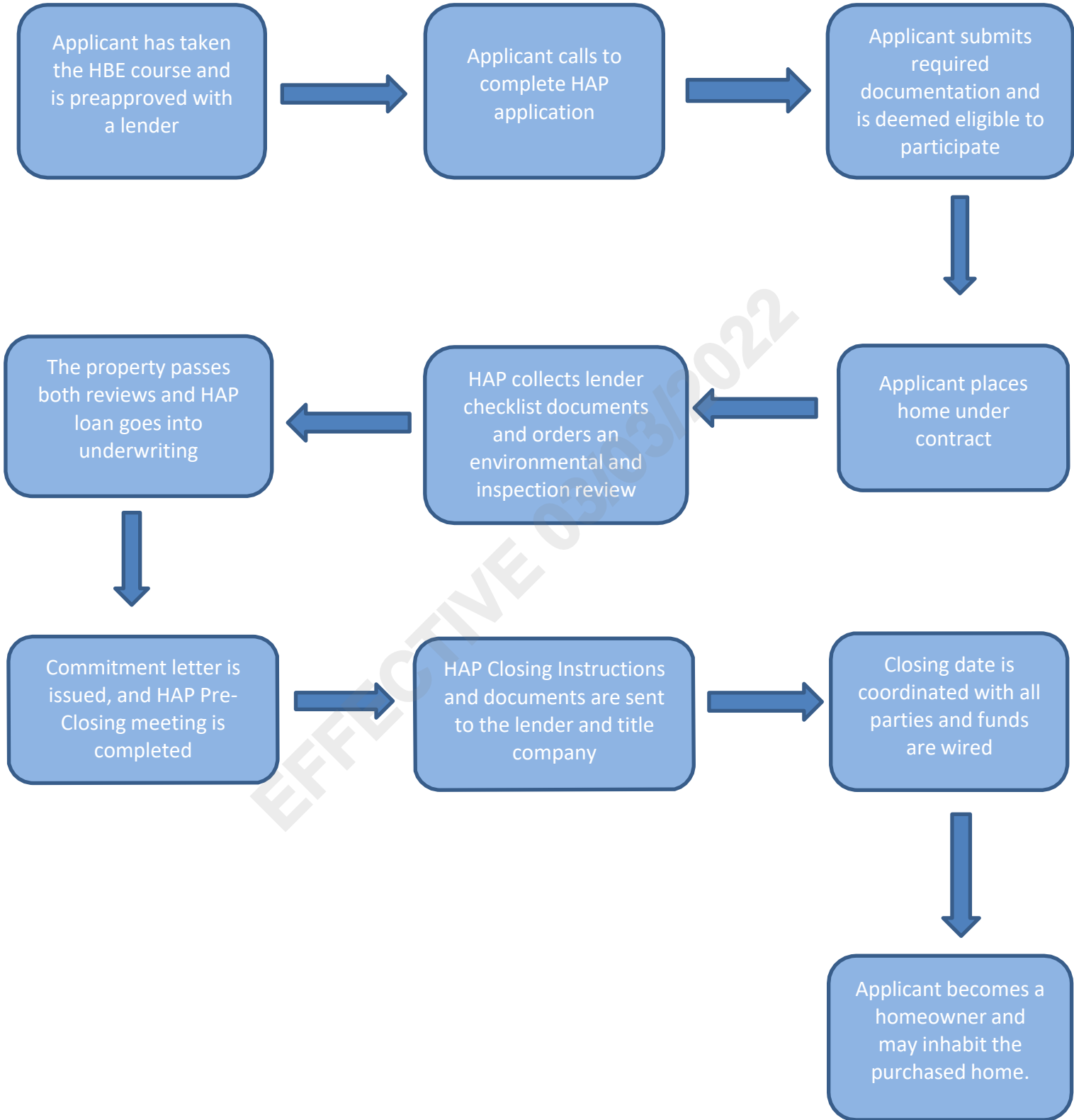
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EFFECTIVE 03/03/2022

Homebuyer Assistance Program Visual Guide



Introduction

The City of Houston (City) Housing and Community Development Department (HCDD) Homebuyer Assistance Program (HAP) is designed to provide funds for down payment and closing costs to income eligible first-time homebuyers to finance the purchase of a home. The goal of the program is to increase homeownership opportunities for low and moderate-income residents, within the incorporated areas of the City. This program will work with participating lenders in the delivery of down payment and closing costs assistance to income eligible homebuyers in the City of Houston.

These program guidelines are intended to provide an overview of the HAP as well as provide information to applicants, potential applicants and participating lenders on the requirements of the program. Funding for this program is made available through the Department of Housing and Urban Development (HUD) Community Development Block Grants (CDBG) and TIRZ (Tax Increment Reinvestment Zone) Affordable Housing Set-Aside Dollars.

The HAP provides income eligible first-time buyers with down payment and closing cost assistance. Qualified applicants may be eligible to receive financial assistance in the form of a forgivable loan to be used towards a down payment on a new or existing home, including eligible prepaids and or closing costs. Assistance will be provided in the form of a deferred forgivable loan, secured by a deed of trust, with a five (5) year affordability period.

National Objective

As expressed in the Federal Housing and Community Development Act, the primary objective of the general Community Development Block Grant (CDBG) program is “the development of viable urban communities by providing decent housing and suitable living environment and expanding economic opportunities, principally for persons of low-and moderate-income (LMI). The authorizing statute of the CDBG program requires that each activity funded, except for program administration and planning activities, must meet one of three national objectives. The three national objectives are:

- Benefit to low- and moderate- income (LMI) persons;
- Aid in the prevention or elimination of slums or blight; and
- Meet a need having a particular urgency (referred to as urgent need).

Purpose and Program Scope

The primary objectives of the Homebuyer Assistance Program are:

- To disburse a portion of the CDBG and/or TIRZ grant funds to provide homeownership opportunities to eligible applicants.
- To address the HUD National Objective of providing or improving permanent residential structures that will be occupied by low/moderate income households **24 CFR 570.208(a)(3)**.
- To improve the opportunities for homeownership for Low and Moderate Income (LMI) families.

Program Administration

The City of Houston Housing & Community Development Department's Homebuyer Assistance Program is designed to complement a normal private market real estate transaction, in that it will be administered with the least number of additional overlays as possible, while still maintaining program compliance.

Eligibility

Basic Eligibility Requirements

Prequalification establishes the basic eligibility requirements under the HAP Guidelines. Prequalification includes a review of all basic client eligibility including, but not limited to citizenship status, income eligibility, and selection of an eligible property. To be considered for assistance by the HAP, potential applicants must first meet the following basic eligibility criteria:

A. Citizenship/Residency Requirements

An applicant must provide proof of citizenship or permanent resident status. Acceptable documents include:

- Birth Certificate lawfully issued by a government entity in the United States
- Valid U.S. Passport
- Permanent Resident Card issued by United States Citizenship and Immigration Services
- Valid Social Security Card

B. First-Time Homebuyer Requirement

HAP assistance is limited to eligible families who meet the HUD/FHA definition of a First-Time Homebuyer. See first-time homebuyer definition.

C. Debts in Good Standing

The Affordable Lending Partner (ALP) is responsible for determining and assessing applicant's risk when reviewing the ALP's maximum debt to income ratio, maximum total obligations, and the applicant's credit history and credit report or loan terms. However, under these guidelines, the HAP requires that the borrower, co-borrower, and or non-purchasing spouse cannot be delinquent on **any type** of the following items:

- Student loan(s)
- Federal Income taxes
- State and Local taxes, including property taxes
- Utility payments applicable to current or former addresses regardless of location
- City services i.e. Houston Public Library, City Emergency Medical Services bills, etc.

D. Buyer Contribution

The borrower will be required to provide a minimum cash investment of \$350.00 into the

transaction from his/her own resources into the home purchase transaction. The cost of the appraisal, credit report, inspection, earnest money and/or cash brought to closing satisfies this requirement.

E. Housing Counseling Requirement

All applicants applying for HAP assistance are required to attend and complete an eight-hour Homebuyer Education (HBE) class with a HUD- approved housing counseling agency prior to applying to the program. Upon the successful completion of the counseling, the counseling agency shall provide the applicant with a Certificate of Completion. The HAP will maintain copies of the valid Certificate of Completion in the applicants' file together with all other required documents for HAP review and final approval. The applicant is responsible for any costs associated with registering for and completing the counseling and or homebuyer education class. Online HBE certificates are only acceptable with an accompanying one-on-one counseling session with a HUD-approved agency. HBE certificates must be valid at the time of eligibility determination.

F. Applicant and Co-Applicant Eligibility Requirements:

- Applicant and/or Co-applicant must be current on child support payments, or on an approved payment plan. This requirement is still applicable when a spouse is listed in the household composition and not as a co-applicant.
- Applicant and/or Co-applicant must provide supporting documentation of legal guardianship for all minor household members at or under the age of 17.
- Co-borrowers listed on the loan must be listed on the application as a co-applicant or in the household composition section.

G. Ineligibility

- *Registered Sex Offenders.* Applicant and/or Co-applicant cannot be registered sex offenders. This requirement is still applicable when a spouse is listed in the household composition and not as a co-applicant.
- *Separated Martial Status.* Applicant and/or co-applicant must be legally divorced to list themselves as separated from their significant other on the application (of if an applicant lists themselves as "Single"). If an applicant and/or co-applicant is divorced the HAP staff will request the divorce decree.

Income Eligibility

Throughout these guidelines the term "Annual Income" is used to refer to annual (gross) income calculated using the 24 CFR §5.609 definition. Based on the household composition and qualified income sources, applicant's income will be evaluated at the time of eligibility determination and

prior to closing using HUD's most recent Area Median Income (AMI) as published annually by HUD. The Housing and Community Development Department will use the method of calculating adjusted gross income (AGI) via the Part 5 for purposes of verifying and determining income edibility for the Program. Income limits are updated annually and will be published on HCDD's website. The HAP staff will refer to the Technical Guide for Determining Income and Allowances for the HOME program when uncertainties arise when calculating annual (gross) income.

Annual Income includes, but not limited to (24 CFR 5.609 b):

- The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.
- The net income from operation of a business or profession. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family
- The full amount of periodic amounts received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount (e.g., Black Lung Sick benefits or Veterans Disability).
- Payments of lieu of earnings, such as unemployment, disability compensation, worker's compensation, and severance pay. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling.

Annual Income does not include the following but is not limited to (24 CFR 5.609 c):

- Income from employment of child (including foster children) under the age of 18 years.
- Payment received from the care of foster children or foster adults (usually persons with disabilities unrelated to the tenant family, who are able to live along).
- Earnings in excess of \$480 for each full-time student 18 years or older (excluding the head of household and spouse).
- Adoption assistance payments in excess of \$480 per adopted child.

To receive assistance, the total household income from all sources (including income from a non-purchasing spouse, and any other household members age 18 or older) cannot exceed **eighty (80%) percent of the Area Median Income (AMI)**, adjusted for household size, as determined annually by HUD. Refer to the chart below for current limits.

2021 Maximum Annual Household Income Limits¹

Household Size	80% Area Median Income (AMI)
1	\$44,350
2	\$50,700
3	\$57,050
4	\$63,350
5	\$68,450
6	\$73,500
7	\$78,600
8	\$83,650

A household may be eligible to receive assistance (i.e. CDBG, TIRZ Bonds, and/or TIRZ Annual Allocation), through the HAP, when all adult persons who will reside in the assisted unit who are eighteen (18) years of age or older provides sufficient source documentation that allows the HAP to determine total household income.

To determine whether a household is income eligible, the HAP staff will determine the households' annual gross income using the annual income as defined in the Part 5 Method (**24 CFR 5.609**). The HAP staff will verify household income using the source documentation (such as wage statements, interest statements, and unemployment compensation statements, etc.) provided at the time of eligibility determination. Source documents provided must be recent (within the last 3 months). The HAP is not required to re-certify the household's income at the time the assistance is provided, unless six months has elapsed since the HAP determined that the household was income eligible in accordance with 24 CFR §92.203(d)(2). All re-certifications will be subject to the current approved guideline requirements that are in place at that time. HCDD reserves its right to re-examine an applicant's household income at any time prior to commitment of any funds, to ensure continued compliance with established income limits.

To receive assistance when using TIRZ funds (Annual Allocation and Bonds), subject to any limits approved by City Council, the 80% AMI threshold limit will apply. Applicants receiving assistance exclusively from a non-federal source such as TIRZ funds or through a federal source that specifically allows household income to exceed the 80% AMI threshold may be provided assistance if HCDD Director has increased the AMI threshold as mentioned below. A household

¹ HUD updates the area median income (AMI) annually, please click the following link for the latest AMI, https://www.hudexchange.info/programs/home/home-income-limits/?filter_Year=&filter_Scope=State&filter_State=TX&program=HOME&group=IncomeLmts.

receiving TIRZ assistance through the HAP, if funding is available, all adult persons who will be residing in the assisted unit who are eighteen (18) years of age or older will need to provide sufficient source documentation supporting their income. The total household income from all sources (including income from a non-purchasing spouse) cannot exceed eighty (80%) percent of the Area Median Income (AMI), adjusted for household size, as determined by the HAP. When combining TIRZ funds with CDBG funds, the total household income cannot exceed 80% of the AMI.

At least annually, the HCDD Director or his/her authorized designee, will review the TIRZ maximum AMI threshold limit and, subject to any limits imposed by City Council, may, from time to time, adjust the maximum AMI threshold. Adjustments to the TIRZ AMI threshold limit must be authorized in writing, signed and dated by the HCDD Director or his/her authorized designee and published in the HAP Procedures Manual.

Liquid Asset Limit

To ensure that public funds are not being used to replace a buyer's liquid assets in a transaction, HAP participants will be limited to a maximum liquid asset amount at the time of eligibility determination. This limit will be assessed annually and published in the HAP Procedures Manual. For this rule, liquid assets will mean all cash, cash equivalents, stocks, bonds, money market instruments or any other non-retirement investments or assets that are not tax-deferred. Waivers may be granted to this requirement in situations where the applicant is (1) near retirement (within two years or less), 2) retired, (3) permanently disabled or other unusual circumstances where an applicant's ability to work is severely diminished and the applicant is solely dependent on liquid assets to pay for basic living expenses. Waiver authorizations must be provided in writing, citing the justification for the waiver signed and dated by the Director or his/her authorized designee, and maintained in the client file. Waiver requirements will be assessed annually and published in the HAP Procedures Manual. Applicant's Liquid Assets shall not exceed \$30,000 at the time of eligibility determination and prior to closing.

Application Process

Potential applicants will be required to have first taken the required first-time Homebuyer Education course through a HUD certified counseling agency and be pre-approved with a lender of their choice prior to applying with the HAP, there after applicants may proceed through the following process:

1. Potential applicant(s) submit the required documentation directly to HAP staff or via the applicant portal.
2. Eligibility is determined after a review of household size, income and assets, along with a HAP pre-approval or denial letter.
3. If approved, the applicant(s) will work to place a property under contract and have their lender and/or realtor submit the applicable lender documents to their assigned HAP Underwriting Specialist.
4. The property undergoes an environmental review and property inspection.

5. If property passes the environmental review and property inspections, the applicant(s) go into underwriting to ensure the loan is reasonable and affordable, and if it is determined that the loan and property are satisfactory, a final Commitment Letter is issued.
6. The lender and/or title company will then submit applicable closing documentation.
7. A pre-closing meeting with the buyer(s) is scheduled and closing is coordinated with all stakeholders to ensure the HAP funds are wired on the day of closing.

Applicant Intake Phase

The Application Intake phase will be initiated by the Call Center or if an applicant applied for the Harvey Homebuyers Assistance Program (HbAP) but is unable to provide proof of disaster tie back. The file will then be transferred over from HbAP to HAP. Any documents or forms already collected under the HbAP will be acceptable documents and the HAP will not require the applicant to complete a HAP application/forms (example: Name Affidavit, Income and Asset Certification, Communication Designee Form, etc.) Applicants who have met the preliminary criteria through the pre-screening responses will be issued an HAP number and referred over to the website to complete an application and upload all supplemental documents required for a file to move to the next phase in the program. Applicants considered potentially eligible through pre-screening will be able to submit their application and supplemental documents through the applicant portal, US Mail, in person drop-off, or email (homebuyersapplication@houstontx.gov). However, additional contacts attempts will also be made via phone and email. Applicants will be provided a total of 60 days if they provide an email address or 75 days for those without an email address, to complete the program application and submit all supplemental documentation from the date of the initial contact (date HAP number is issued). If the applicant has not submitted their application or uploaded the minimum documents required within the allotted time frame mentioned above, the applicant will automatically be withdrawn from the active HAP population (requiring the applicant to re-apply).

An Application Document Checklist is available on the website which clearly identifies all document types accepted for each eligibility criteria. Once an application and supplemental documents have been received the applicants file will be assigned to an Intake Specialist within 5 – 7 business days.

Application Submitted

HAP will aid applicants and their families through clear and transparent communication to understand the program's housing options, determine eligibility, execute necessary documentation, and close out the project. Applicants will have 60 days to provide all documents needed in order the HAP to make an eligibility determination. Applicants' files will be administratively withdrawn if they are non-responsive for more than 30 business days. HAP will make two attempts to reach the applicant either via email, mail, or over the phone before a file is closed out for non-responsiveness. Applicants who do not provide all documentation within

the allotted time frame will be administratively withdrawn due having an incomplete application.

Applicants will be notified via email or mail of their eligibility determination. If an applicant is approved, they will receive a conditional reservation letter.

HAP recommends that applicants do not place earnest money on a property until they have received a conditional reservation letter from the program. The intake process can take up to 6-8 weeks not including any outside factors or unforeseen circumstances.

Communication Designee

Applicants have the option to designate an individual inside or outside their household (family friend, realtor, lender, etc.) to make inquiries or assist with the completion of the application and supporting documents. If an applicant chooses to designate an individual, they must complete the communication designee form. This form can be provided once a file is assigned to an intake specialist.

Power of Attorney

If the applicant chooses to have an individual act on their behalf and sign off on documents the applicant must provide an executed Power of Attorney document that has been recorded with the County Clerk's office.

Property Selection

Applicants will be provided 120 days (4 months) to identify and close on a property. If an applicant is unable to identify and close on a property within the 120 days, the file will be administratively withdrawn. HAP will make two attempts to advise the applicant of the timeframe remaining either via email, mail, or over the phone before a file is administratively withdrawn. A onetime waiver may be granted by the Underwriting team to allow an applicant an additional 60 days (2 months) to locate and close on a property. Waivers will be granted on a case-by-case basis. Waiver requests must be made in writing and received prior to the expiration date on the conditional reservation letter. If a property is not identified and closed on within the allowable timeframe the applicant's file will be administratively withdrawn from the program due to no sales contract executed within timeframe.

Administrative Withdrawals

Applicants may be administratively withdrawn for multiple reasons; the following are several example reasons:

- Application was not submitted within thirty (30) days of the issuance of an HAP number.

- Application was submitted but supplement documents were not provided within the 60/75 day time frame.
- The program confirms that an application is a duplication of other valid applications or results in an overlap of other program funds.
- An applicant fails to provide required documentation or information after receiving a written request, or to communicate a reasonable timeframe for supplying said documentation.
- An applicant or their designee is aggressive and/or abusive to a HCDD employee or any other representative or affiliate program.
- An applicant violates the statement to provide true and complete information by providing false or misleading information.

Applicants who have been deemed ineligible will be eligible to re-apply after 3 months from the date of denial letter.

Warning: “Any person who knowingly makes a false claim or statement to HUD may be subject to civil or criminal penalties under 18 U.S.C. 287, 1001 and 31 U.S.C. 3729”

Conflict of Interest

A situation, whether real or apparent, that undermines the impartiality and/or integrity of (i) any person who is an employee, agent, consultant, officer, elected official or appointed official of the City or (ii) any individual or organization receiving or administering federal funds on behalf of the City who (a) exercises or has exercised any function or responsibility with respect to activities provided by the HAP, (b) is in a position to participate in the decision-making process, or (c) gains inside information with regard to such activities. Such person or organization is therefore prohibited from obtaining a financial interest or benefit or having an interest in any contract, subcontract, or agreement with respect thereto or the proceeds thereunder, either for themselves or those with whom they have family or business ties during their tenure or for one year thereafter pursuant to the Community Development Block Grant (CDBG) Program Regulations found at 24 CFR§570.611. Additionally, City employees will be subject to comply with the City’s Standards of Conduct for all Employees found at Subsection 14-183, Standards of Conduct for City Officials found at Subsection 18-3, and the **City of Houston’s Administrative Policy 2-22, Conflict of Interest**

HCDD will process applications in a first-come, first-serve manner. The provisions of assistance are contingent upon the availability of funding. When funding is limited or unavailable, the city will notify all applicants in the program.

Fraud, Waste and Abuse

The City will assess all program systems, processes and Standard Operating Procedures from an anti-fraud, waste, and abuse perspective. The City will provide anti-fraud training to program staff. Anyone with information regarding known or suspected misappropriation of funds or resources is encouraged to report the information to the City by sending a written report via U.S.

mail to the following address: City of Houston, Housing and Community Development Department, 2100 Travis St, 9th Floor, Houston, TX 77002.

Eligible Properties Standards

A. Eligible Property Types

Eligible property types include any property that will serve as the purchaser's principal residence, including a single-family property (1 unit), condominium unit/townhouse, cooperative unit or manufactured home on a permanent foundation.

B. Property Location

All properties must be located within the incorporated areas of the City of Houston or be serviced by the City and subject to pay City property taxes. In the case of local funds, other geographic restrictions may apply, which will be published annually as part of the HAP Procedures Manual.

C. Minimum Property Standards

The housing acquired through the HAP regardless of the funding source, must meet the City's written property standards included in the HAP Procedures Manual. The units must be free from defects posing a danger to the health or safety of the occupants before transfer of ownership. Properties receiving federal assistance must also meet any other applicable federal property standards and or program requirements.

HCDD requires inspection of all units receiving assistance. Prior to closing, a qualified City inspector or agent working on behalf of the City will inspect the property to determine that the property meets the applicable federal, state and or local minimum property standards. If a property is or has been vacant the applicant must ensure that all utilities are connected before a HCDD inspection is scheduled. A maximum of three property inspections will be conducted, after which if the home still does not meet the minimum requirements, the buyer(s) must select a new property or re-apply once the required modifications have been made.

A HUD Environmental Review will be performed on the property, by HCDD, prior to commitment of federal funds by HCDD (24 CFR Parts 50). Properties receiving local funds, i.e. TIRZ, exclusively are not subject to comply with the HUD Environmental Review. If the property fails and environmental review the buyer(s) must select a new property.

Properties located in a 500-year flood plain are eligible for assistance. Properties located in a 100-year floodplain may be eligible for assistance (see below).

D. 100-Year Floodplain

If the property is located in a 100-year flood plain, the property must either have been built

in compliance with the City of Houston Chapter 19 Ordinance² (as amended) OR have a National Flood Insurance Program (NFIP) Elevation Certificate demonstrating compliance with the City of Houston's floodplain management ordinances.³ The NFIP elevation certificate provided by the homebuyer OR a letter from the Houston Public Works Floodplain Management Office stating that a property has been reviewed for compliance by its office and presents no substantial damage project holds or substantial damage determination associations, according to Chapter 19 Code of Ordinance (as amended), will both serve as acceptable documentation used to confirm that a property's floodplain compliance requirement is met for the Homebuyer's Assistance Program. The City of Houston will obtain at least one of the above-mentioned documents for any given property that is located within a 100-year floodplain and named on an application for homebuyer's assistance.

E. Lead-Based Paint

All pre-1978 built properties acquired through the HAP must meet all applicable federal standards ([24 CFR Part 35](#)) for lead-based paint as outlined in the [HCDD Minimum Housing Rehabilitation, Reconstruction/New Construction Standards](#).

F. Environmental Review

A HUD Environmental Review will be performed on the property, by HCDD, prior to commitment of federal funds by HCDD (24 CFR Parts 50). Properties receiving local funds, i.e. TIRZ, exclusively are not subject to comply with the HUD Environmental Review.

Where considered appropriate, one or more of the City's CDBG funded programs may be subject to a tiered environmental review process in accordance with 24 CFR § 58.15. The tiered approach allows for a Tier I level broad environmental analysis of proposed policy and action(s) in the early stage of strategic development when site-specific analysis is not yet feasible, yet those actions are known to be geographically and/or functionally aggregated.

While not currently anticipated, certain proposed actions undertaken by the City with CDBG funds may be determined to have a potentially significant impact on the human environment and therefore require an Environmental Impact Statement in accordance with 24 CFR part 58.37. In the event such an effort become necessary, all required documentation developed during the process would also become part of HCDD's ERR.

G. Occupancy

HCDD programs will be subject to the URA and Section 104(d) and will include the CDBG programs. HCDD policies and procedures, Notice of Funding Availability (NOFA), applicant certifications and/or written agreements for funds subject to the URA and Section 104(d) shall refer to federal and state rules, as appropriate.

² https://library.municode.com/tx/houston/ordinances/code_of_ordinances?nodeId=891265

³ Additional information can be found at the [Houston Permitting Center's website](#). Elevation Certificates must be deemed acceptable by the Houston Permitting Center prior to transfer of ownership.

The property cannot be tenant occupied. A vacant property cannot have been occupied by a tenant 90-days from the date of the earnest money contract. The seller is required to certify the occupancy status of the property.

The Homebuyers Assistance Program will not provide down payment assistance for any property that is tenant occupied. In the event an applicant/buyer selects a home that is tenant occupied, HAP will require the applicant/buyer to select an alternative property that does not have a tenant. HAP will provide the applicant/buyer and/or lender with a Seller's Occupancy Certificate to be signed and dated by the seller, indicating the property location and its status, as it relates to any potential tenant(s) occupancy. The signed and dated Seller's Occupancy Certificate must be submitted to HAP prior to closing.

Principal Residence Requirement

The property **must be occupied as the principal residence by the homebuyer** throughout the Affordability Period commencing on the date on the Loan Note. A Second Lien Deed of Trust will be obtained to secure the Homebuyer's compliance with the Affordability period and all other HAP requirements as determined by the Director on behalf of the City. Under the Affordability period compliance requirements, there is no change allowed in use and/or occupancy and the Homebuyer must comply with all HAP requirements. Should a change in ownership (including foreclosure) occur during the Affordability period, the loan will be subject to HCDD-established recapture requirements.

If the homebuyer occupies the property as his/her principal residence for the entire Affordability period, no recapture requirements will apply. However, if the property is sold (including foreclosure) or rented, the City shall recapture the pro-rated amount of assistance as indicated under the Recapture Requirements.

The City's recapture amount is limited to the net proceeds or profits available from the sale of the property. In some cases, such as a declining housing market, the net proceeds or profits available at the time of sale may be insufficient to recapture the subsidy provided to the homebuyer. Because of this, the City can only recapture what is available from net proceeds or profits. Hence, the City will limit the recapture to the net proceeds available from the voluntary/involuntary sale up to the full amount of the HAP loan. If the homeowner vacates the property, converts it into a rental property, or in the case of other forms of default during the Affordability Period, the City shall pursue all available remedies to the City under the HAP Promissory note, Deed of Trust or other HAP loan documents including repayment of the HAP loan.

HAP Loan Terms of Assistance

A. Eligible Uses of HAP Funds

CDBG, TIRZ, and any other local funding made available to the HAP shall be used to

assist income eligible homebuyers acquire either an existing or a newly constructed housing unit. Assistance may be used to pay the minimal amount required for (1) down payment (2) reasonable closing costs and (3) reduce the principal amount of the first mortgage (4) subsidized mortgage interest rate (5) pre-paid items (homeowner's insurance, property taxes, etc.).

B. Ineligible Uses of HAP Funds

HAP assistance **may not** be used to (1) pay any portion of a real estate agent's fee (2) pay delinquent taxes (3) pay fees or charges on properties which are the result of the seller (4) cash back in excess of the out-of-pocket costs made in the transaction.

Affordability Period and Recapture Requirements

The HAP is made available for eligible homebuyers in the form of a 0% interest, forgivable loan, subject to a 6% loan balance fee if default occurs. The loan does not require monthly payments and is forgiven over an affordability period of five (5) years.

Affordability period refers to the required number of years the property must be the borrower's primary residence. Applicant(s) must occupy the property as their primary residence for a minimum of five years. The affordability period shall commence on the date of the Loan Note. Selling (including foreclosure) or leasing the home during the affordability period is considered a default on the loan note and terms of the program. If the homebuyer violates the terms and conditions of the loan, HCDD may recapture the entire amount or a portion of the loan. A deed restriction is placed on the property that provides for the recapture of the subsidy. The loan balance is forgiven or reduced at a rate of 20% for each completed year of residency, with no credit given for partial years completed.

Affordability Period	Loan Forgiveness Rate per Year
5 Years (with a lien)	< 1 Year – 0%
	Year 1 – 20%
	Year 2 – 40%
	Year 3 – 60%
	Year 4 – 80%
	Year 5 – 100%

Underwriting and Subsidy Layering

The underwriting requirement was put in place to assure that federal resources are neither duplicated nor wasted when applied to affordable housing and to assure the long-term financial

sustainability of households receiving assistance. Reasonable and customary cost as defined by HCDD will be analyzed to assure compliance with CDBG regulations.

The HAP will maintain in its written procedures consistent processes for evaluating the long-term financial sustainability of transactions assisted with CDBG funds. These procedures will include at a minimum:

A. Maximum Subsidy Limit

To ensure that public funds benefit the most number of eligible households, HCDD will establish a maximum allowable subsidy amount through a gap analysis that considers the area median income as published by HUD current prices of entry level homes, current prevailing interest rates, other lending costs including tax rates, homeowner insurance and mortgage insurance. The maximum subsidy amount will be published at least annually or at the discretion of the Director when market volatility renders current maximum subsidy amounts inaccurate, through the HAP website. The maximum subsidy amount will include all subsidy funds, whether provided by the HAP or a third party. Closing cost assistance will be limited to a maximum amount of assistance also published and revised annually by the HCDD.

B. Debt-to-Income Ratio

Back-end ratio cannot exceed 45%. A calculation that measures a combination of an applicant's regular reoccurring monthly expenses which includes their mortgage payment, principal, interest, taxes, homeowner's and flood insurance, and all monthly debts (i.e. credit cards, school loans, car payment, alimony, child support, etc.) based on a percentage of their gross monthly household income, will be utilized to determine that the sum of these monthly debts do not exceed 45% of the applicant(s) gross monthly income.

C. First Mortgage Terms

To ensure that homebuyers receiving HAP assistance are not subject to predatory or unfair lending practices, the HAP Procedures Manual shall have a written policy, reviewed and updated at least annually which describes the eligible types of first mortgage financing that can be combined with HAP assistance and the maximum allowable closing costs able to be charged to a program participant. At a minimum, this shall include maximum allowable interest rate, loan-to-value ratio, and types of allowable mortgages. Loan Types: the buyer must be able to obtain a fixed-rate mortgage (the HAP does not accept adjustable rate or seller financed mortgages).

D. Maximum Closing Costs

To ensure that participants in the HAP program are not victims of predatory lending, or that HAP closing cost assistance is not used to the sole benefit of ALPs, and that client and ALPs have a clear expectation of the amount of assistance, a maximum closing cost limit shall be published annually in the HAP Procedures Manual.

Closeout and Monitoring Procedure

Upon completion of a home purchase assisted with HAP funds and receipt and review of the required post-closing documents, the HAP will then submit the file for monitoring. Annually, the buyer(s) will need to certify their ownership status with HCDD's internal loan servicing division, ensuring compliance of program terms and conditions. Required documentation may include but not be limited to homeowner's insurance policy, current utility bills, tax assessment notices, etc.

Complaints

The City of Houston Housing and Community Development Department welcomes feedback and complaints from any member of the public. Complaints are accepted in writing or over the telephone. Complaints will be responded to in writing within fifteen (15) business days, as practicable. For further information, please refer to the HCDD recovery website, <https://recovery.houstontx.gov>

Contact Information

HCDD Mailing Address

Housing and Community Development Department
2100 Travis St., 9th Floor
Houston, TX 77002
Attn: Planning & Grants Management

HCDD Email Address

HCDDComplaintsAppeals@houstontx.gov

HCDD Business Hours

Monday through Friday
8:00 AM to 5:00 PM

Appeals

HCDD's appeal process will be provided in writing to any appellant upon request or receipt of an appeal, and the same process will be clearly posted on the City's websites, including disaster recovery websites and entitlement program websites. HCDD will keep a record of each appeal that it receives and include all communications and their resolutions therein.

Applicants have the right to appeal decisions made on their program file based on the following:

- Non-receipt of award through NOFA or RFP process
- Denied services through any of HCDD's programs
- Denial of a request for resolution for tax credits
- Program eligibility determination
- Program award calculation

- Program determination of Moderate or Substantial damage leading to Rehabilitation or Reconstruction
- Procedural error where the application was not processed by program staff in accordance with the program guidelines
- Affirmatively Furthering Fair Housing

Appeals must be made in writing, and may either be in letter form, through HCDD's website, or on HCDD's Appeal Request Form (available on HCDD's website or at the HCDD office). Written appeals will be accepted either by mail or in-person at the HCDD office. To be considered complete, an appeal must contain the following information:

- Name
- Property Address
- Mailing Address (if different from Property Address)
- Phone
- Application number (if applicable)
- Email Address
- Reason for Appeal

Appeals must be made within thirty (30) days of notice of the determination on the applicant's file that generated the appeal. Upon receipt of an appeal, HCDD will respond in writing to the appellant of the program area's decision regarding the appeal and provide the basis thereof within thirty (30) days, as practicable.

Appeals Review Committee

Should the initial appeal process with the program area not achieve a resolution amenable to the appellant, the appellant has the right to escalate the appeal, in writing, to the Appeals Review Committee (ARC). The appellant may only escalate the appeal after the completion of the initial program area process.

The ARC will process the escalated appeal within thirty (30) days, as practicable. The ARC will transmit their decision to the appellant in writing.

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Definitions

Affordability Period: the period of time the homebuyer is required to own and occupy the property as his/her primary residence which is tied to the amount of assistance provided

Affordable Housing: housing for people at or below eighty percent (80%) of the AMI as determined by HUD for either the HOME and/or CDBG programs

Annual Income: the anticipated gross income from all sources for all adult family members during the coming 12-month period in accordance with 24 CFR Part 5, Section 8 definition of annual (gross) income

Appraisal: an estimate of a home's market value based on comparable recent sales in the home's immediate area or neighborhood, conducted by a professional appraiser, licensed through the Texas Real Estate Commission

Area Median Income (AMI): the income limits published annually by HUD for the City, including areas serviced by the City that are subject to pay City property taxes.

Back-end Ratio: a standard that measures a combination of an Applicant's regular reoccurring monthly expenses which includes their mortgage payment, principal, interest, taxes, homeowner's and flood insurance, and all monthly debts (i.e. credit cards, school loans, car payment, alimony, child support, etc.) based on a percentage of their gross monthly household income

Borrower(s): the person(s) that (i) has applied, met specific requirements, and received a monetary loan from a lender; (ii) is legally responsible for repayment of the loan and (iii) is subject to any penalties for not repaying the loan back based on the terms as described in the loan agreement, promissory note and/or deed of trust

Buyer Contribution: the amount the buyer(s) must contribute to the property acquisition transaction, either through earnest money, option fee money, or other related costs paid outside of closing

Community Development Block Grant (CDBG): an entitlement grant fund administered by the Department of Housing and Urban Development (HUD) to local agencies and municipalities to develop and enforce fair, affordable, safe and sanitary housing

Closing Costs: the costs associated with the acquisition of a real property, to ensure a legal and secure transfer from one owner to the next

Closing Disclosure: the loan document replacing the preliminary and final Truth-in-Lending Disclosure and HUD-1. This instrument details a mortgage loan for the buyer, including loan terms projected monthly payment, and closing costs.

Commitment: the setting aside or earmarking of funds that will be used in the future for the purchase of a specific dwelling unit. It is a pre-obligation; it is not legally binding and shall be valid for a specific time period.

Conflict of Interest: a situation, whether real or apparent, that undermines the impartiality and/or integrity of (i) any person who is an employee, agent, consultant, officer, elected official or appointed official of the City or (ii) any individual or organization receiving or administering federal funds on behalf of the City who (a) exercises or has exercised any function or responsibility with respect to activities provided by the HAP, (b) is in a position to participate in the decision-making process, or (c) gains inside information with regard to such activities. Such person or organization is therefore prohibited from obtaining a financial interest or benefit or having an interest in any contract, subcontract, or agreement with respect thereto or the proceeds thereunder, either for themselves or those with whom they have family or business ties during their tenure or for one year thereafter pursuant to the Community Development Block Grant (CDBG) Program Regulations found at 24 CFR§570.611. Additionally, City employees will be subject to comply with the City's Standards of Conduct for all Employees found at Subsection 14-183, Standards of Conduct for City Officials found at Subsection 18-3, and the **City of Houston's Administrative Policy 2-22, Conflict of Interest.**

Counseling Agency: either a public or private nonprofit organization (i) established as a HUD-approved provider of homebuyer education courses for at least one year in the geographical area in which it provides services, (ii) are knowledgeable concerning the local housing market and (iii) have met the regulations found at 24 CFR Part 214 to obtain HUD approval.

Deferred Payment Loan (DPL): a loan whose principal and/or interest payments are postponed for a specific period of time provided the Borrower meets the terms and conditions of such loan.

Director: the HCDD Director or designee appointed by the Director to perform specified duties in his/her absence.

Disabled Family: (i) a family (as described herein) whose head, co-head, spouse, or sole member is a person with disabilities as defined by §12012 of the Americans with Disabilities Act and the Texas Property Code §301.003(6); (ii) two or more persons within the household with disabilities or (iii) one or more persons within the household with disabilities with one or more live-in aides.

Down Payment: the amount deemed as a necessary up-front payment towards the purchase of a home, by the principal lender of the buyer(s)

Environmental Review: the compliance review conducted by internal HCDD staff to determine a home's eligibility in the HAP pursuant to 24 CFR 58.6. This process ensures that the home is in compliance with the National Environmental Policy Act (NEPA) and other applicable state and federal laws.

Equity: the current market value of a home as determined by an official appraisal minus the outstanding mortgage or other debt owed on the property.

Existing Property: a property that is one hundred (100%) percent complete at the time of appraisal, (Ready for Occupancy).

First Time Homebuyer: defined by HUD as an individual who has had no ownership in a principal residence during the three (3) year period ending on the date of purchase of the property. This includes:

- A spouse if either meets the above test they are considered first-time homebuyers,

- A single parent who has only owned with a former spouse while married,
- An individual who is a displaced homemaker and has only owned with a spouse,
- An individual who has only owned a principal residence not permanently affixed to a permanent foundation in accordance with applicable regulations, and or
- An individual who has only owned a property that was not in compliance with state, local or model building codes, and which cannot be brought into compliance for less than the cost of constructing a new permanent structure.

Family: either a single person or a group of persons and includes a household with or without children. Note that a child who are temporarily away from home due to placement in foster care will not be considered a member of the family.

First lien holder: the Borrower(s) or institution holding a mortgage on a specific property that is used to back such mortgage and being a position to be paid before any other debt holders that have any other mortgages on such specific property.

Foreclosure: the process by which the holder of a mortgage seizes the property of a Borrower(s) who has not made interest and/or principal payments on time as stipulated in the mortgage contract in accordance with state and local law.

Flood Insurance: the Flood Disaster Act of 1973 (42 U.S.C. 4012a) requires that projects receiving federal assistance and located in an area identified by FEMA as being within a Special Flood Hazard Area (SFHA) be covered by flood insurance under the National Flood Insurance Program (NFIP). In order to be able to purchase flood insurance, the community must be participating in the NFIP. If the community is not participating in the NFIP, federal assistance cannot be used in those areas.

Front-end Ratio: a standard that measures an Applicant(s) monthly mortgage expense which includes principal, interest, taxes, homeowner(s) insurance and mortgage insurance, also known as PITI, divided by Applicant(s) gross monthly income, as defined in the HAP Procedures Manual.

HAP Loan Closing Documents: the Second Lien Deed of Trust, Loan Note, Terms and Conditions, Homebuyers' Acknowledgement and Affidavit of Borrower(s), with a Statement of Total Family Income, in forms approved by the City Attorney and HUD.

Homeowners Insurance: a form of property insurance that covers casualty losses and damages to an individual's house and contents in the home. Also provides liability coverage against accidents in the home or on the property.

Household Size: the total number of persons who will reside with the applicant(s).

Household Income: the anticipated gross amount of income from all sources for all adult family members during the coming 12-month period in accordance with 24 CFR Part 5 definition of annual (gross) income.

Housing Counseling: the eight-hour first-time homebuyer education course the buyer(s) must complete as a pre-requisite to participation in the HAP.

Housing Quality Standards Inspection: the property inspection completed by HCDD staff, using **HUD Form 52580** to determine the subject property meets the minimum housing quality standards set forth by HUD.

HUD: the U.S. Department of Housing and Urban Development.

Individual Taxpayer Identification Number (ITIN): a tax processing number issued by the Internal Revenue Service. IRS issues ITINs to individuals who are required to have a U.S. taxpayer identification number but who do not have and are not eligible to obtain a Social Security Number (SSN) from the Social Security Administration (SSA).

Lien Subordination: the secondary HAP mortgage and lien on the title to the property or an interest in that title.

Liquid Asset: an asset that can be converted into cash in a short time, with little or no loss in value. Liquid assets include items such as (1) cash; (2) demand deposits; (3) time and savings deposits; and (4) investments (i.e. most stocks, money market instruments and government bonds not eligible for tax deferment).

Loan: an arrangement in which a HAP approved lender gives money to a borrower, and the borrower agrees to return the property or repay the money at some future point(s) in time.

Loan Closing: the date on which all applicable loan documents are executed.

Loan Estimate: the received after applying for a mortgage, which provides a buyer with an estimate of their loan terms, such as an estimated interest rate, monthly payment, and total closing costs.

Loan Type: the type of mortgage loan product specific to a buyer and/or property, i.e. FHA, Conventional, or VA

Low-Moderate Income: a person/household whose annual income does not exceed eighty (80%) percent of the area median income adjusted for family size, as published by the **U.S. Department of Housing and Urban Development** for the City of Houston.

Maximum Subsidy Limits: the total amount of direct cash assistance or purchase price discount being provided to a buyer specifically to create housing affordability.

New Construction: site preparation for, and construction of an entirely newly constructed single-family dwelling unit, that has not been occupied, where the seller is typically the builder.

Notice to Seller: the Uniform Relocation Act notification provided to the seller regarding their rights as described in compliance with federal regulations.

Ownership Interest: any of the following interests in residential property: fee simple interest; joint tenancy; tenancy in common; interest of a tenant-shareholder in a cooperative; life estate; interest held in trust for the Applicant that would constitute a present ownership interest if held by the Applicant.

Part 5 Method (Annual Income): all gross amount of income anticipated by all adults (18 & older) in a family during 12 months following the effective date of determination, amounts derived (during the 12-month period) from assets to which any member of the family has access, and which are not specifically excluded at 24 CFR Part 5.609 and related program guidance.

PITI: the acronym for principal, interest, taxes, homeowner's, flood and mortgage insurance.

Pre-Qualification: the preliminary determination of the borrowers' creditworthiness by their mortgage institution to secure a home loan.

Principal Residence: the primary home/property that the homebuyer/borrower inhabits. For the purpose of HAP, the property must remain the buyer's principal residence for the entire affordability period to avoid default.

Property Condition: the condition of the exterior and interior areas, as determined by an inspection conducted by the City or its agent prior to acquisition, in order to verify that the property is safe, decent, habitable and in compliance with the applicable local building codes and applicable federal requirements. Property Condition shall be determined before funds are invested in the property or after closing if rehabilitation/repair assistance is provided using federal, state or local funds.

Property Value: the most probable price which a property should bring in a competitive and open market under all condition's requisite to a fair sale, with the buyer and seller Property market value must be identified through an official lender procured appraisal.

Purchase Price: the cost of acquiring a residence, excluding usual and reasonable settlement or finance costs, and the value of services performed by the mortgagor in completing the acquisition.

Recapture: the mechanism to reclaim all or a portion of the assistance provided to the homebuyer

Release of Lien: the document(s) the City shall prepare and issue, or cause to be prepared or issued, releasing the City's second lien on each assisted property upon the homebuyer's compliance with the affordability period and all other program requirements.

Second Lien Deed of Trust: the document which creates and evidences a lien that is placed against the property until the affordability period is matured or satisfied by the terms of the Loan Note.

Service Area: the incorporated areas of the City of Houston including areas annexed and/or serviced by the City which are subject to pay City property taxes.

Single Family Housing: a one to four family dwelling unit, as defined by HUD.

Subsidy Layering: the underwriting analysis conducted prior to committing funds to a homebuyer to calculate the amount of funds necessary to provide quality affordable housing.

Tax Increment Reinvestment Zone (TIRZ): the affordable housing tax revenue set-aside generated by special zones created by City Council (this includes both bonds and annual allocations).

Temporarily Absent Family Member: a child who is temporarily separated from such household due to placement in foster care.

Tenant: an individual who occupies land or property rented from a landlord.

Unfair Lending Practices: abusive practices or unscrupulous actions carried out by a lender to entice, induce and/or assist a borrower in taking a mortgage that carries high fees, a high-interest rate, strips the Borrower of equity, or places the Borrower in a lower credit rated loan to the benefit of the lender.

Unsecured Forgivable Promissory Note: an agreement between the assisted beneficiary and subrecipient (the City) that requires applicants to comply for several terms during a set affordability period. At the end of the affordability period the terms are forgiven after having all been met by the homeowner.

Zero-Income Statement: a notarized affidavit whereby adult household member(s) declare under oath and subject to perjury that he/she has zero income.

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