

Down-Payment Assistance Program Underwriting Criteria

09-12-23

The Development Services Department of Provo City Corporation is offering a mortgage loan product to assist income-eligible families in becoming homeowners. The program consists of the following:

First Mortgage: First mortgages shall be obtained through the buyer's lender of choice. This must be a fixed-rate mortgage. The market will determine the interest rate for this loan at the time a rate lock can be obtained.

Second Mortgage: The Development Services Department of Provo City Corporation will provide a second mortgage to be used for **down-payment, closing costs and/or rate buy down. A qualified applicant can possibly receive up to \$40,000 based on the following formula: percentage of down required by type of mortgage, plus estimated closing costs from the LE, minus the \$1,000 that is required for the applicant to put down, PLUS an additional 5% or 3.5%, depending on mortgage product, capping at \$40,000, city wide.** This loan will be at 0% interest and the payments are deferred until the home ceases to be the primary residence of the homeowners. When this occurs, the entire loan balance is due in a lump-sum payment. Homes sold within the first two years of ownership will be subject to a \$5,000 penalty.

Targeted Ratios

Loan to Value:	'A' Loans: 103% ;	'B' Loans: 103%
Total Debt to Income:	'A' Loans: 45%;	'B' Loans: 43%
Housing Expense Ratio:	'A' Loans 35%;	'B' Loans: 33%

- A Loans** Maximum allowable debt to income is 45%.
Maximum allowable housing expense ratio is 35%
Mid credit score of 700 or above, no unsatisfied judgements or collections, clean credit for one year, no bankruptcies or repossessions within the last one year.
Greater than six (6) months current employment, or new job related to education and previous work history. Must be able to show stability in employment history.
Cannot be on probation.
- B Loans** Maximum allowable debt to income is 43%.
Maximum allowable housing expense ratio is 33%
Mid credit score of 650-699, no unsatisfied judgements or collections, clean credit for one year, no bankruptcies or repossessions in the past two years. No additional bankruptcies. Greater than six (6) months current employment, or new job related to education and previous work history. Must be able to show stability in employment history. Cannot be on probation.

Exceptions to the above ratios are as follows:

Lowest decision Credit Score	Maximum Qualifying Ratios %	Acceptable Compensating Factors
650 and Above	37/47	One of the following: <ul style="list-style-type: none"> • Verified and documented cash reserves (minimum of \$1,000 and no more than \$15,000); • Minimal increase in housing payment (no more than 100\$ or 5%); or • Residual income (minimum of 20% of Gross Income according to RI calculator).
650 and Above	40/40	No discretionary debt
650 and Above	40/50	Two of the following: <ul style="list-style-type: none"> • Verified and documented cash reserves (minimum of \$1,000 and no more than \$15,000); • Minimal increase in housing payment (no more than 100\$ or 5%); or • Residual income (minimum of 20% of Gross Income according to RI calculator)

Other Requirements

- Income eligibility based on the current income chart. Income is figured as a projected income for a year.
- Must qualify as first-time homebuyer.
- Property must be located in an eligible city.
- Home must pass our home health and safety inspection.
- Purchase price of existing and new homes must be less than **\$551,000** (may be adjusted from time to time – effective August 28, 2022).
- Purchase price must be less than or equal to appraised value.
- Buyer must put down at least \$1,000 of their own money (i.e., earnest money, closing costs, prepaids). This can be a gift and a gift letter must be provided. Loan must be a fixed-rate mortgage. Will only subordinate to a refinance if it is a no-cash out deal. No consumer debt included.
- Home may not be currently occupied or have been occupied by renters who would be displaced by the sale.
- Both applicant and co-applicant must take Home Ownership Counseling course offered by NeighborWorks Provo, Community Action, or the online course offered by USU extension office at <https://extension.learn.usu.edu/browse/home-buyer/courses/home-buyer-education-2022> before closing on any loan for the purchase of the property. This is the only online course allowed.
- Property can be a single-family residence, a home with a legal-accessory apartment, one half of a twin home, town house or condo. If property has a legal-accessory apartment, the owner must live in the main unit and fair-market rental income will be included in the projected income.

Home buyers using the Down-Payment Assistance Program who sell the property within two years of closing date shall incur a \$5,000 penalty due and payable additional to and at the same time the loan is paid-off.

The following documentation is required to determine eligibility:

- Completed Home Purchase Plus application
- Home Ownership Counseling course certificate
- Federal tax returns (1040) for the last three years
- Pay stubs for the three most recent months (for anyone over 18)
- Bank statements for the last three months
- Form 1003 (copy of first mortgage application)
- Appraisal (no more than 30 days old)
- Credit report for each person over 18 years of age whose income is included in the eligibility. Even if spouse or partner has no income, they are required to be on title for the property. Spouse or partner is required to be on our loan and a qualifying credit score is required along with other credit requirements.
- Preliminary Title Report
- Real Estate Purchase Contract
- Loan Estimate
- Verification of Employment
- Verification that all members of the household are US Citizens, i.e., birth certificate, current US passport, permanent resident card
- Social Security card for each member of the household
- Flood Determination Form

All required documents (except appraisal and PR) must be received before any inspection will be scheduled. All inspections are to be scheduled through the Development Services Office.

Loans cannot be closed until final approval is given.

The Development Services Department reserves the right to not use title companies that have title policies outstanding for more than six months.