

Provo City Corporation Down-Payment Assistance (DPA) Program Guidelines

Effective 09-09-2024



**These guidelines do not include all Program Policies.
Please contact our office if you have questions.**

PROVO CITY CORPORATION RESERVES THE RIGHT TO CHANGE THIS PROGRAM AND REQUIRED DOCUMENTATION AS NECESSARY.



Program Guidelines

Overview

The Home Purchase Plus and Loan-to-Own Down-Payment Assistance Programs (Program) administered Provo City Corporation is designed to help U.S. Citizens, U.S. Nationals or Permanent Legal Alien Residents, who are eligible low- and moderate-income households, achieve the goal of homeownership. The Program will provide a payment deferred, zero percent (0%) interest loan as a second mortgage to an eligible and qualified First-Time Homebuyer (FTHB) household to buy a single-family residence (see **Eligible Properties** below). Since funding is limited and is available on a first come first serve basis, a letter of eligibility is not a guarantee that funds will be available to the applicants when requested.

Grounds for Denial

Provo City Corporation will deny assistance to applicants who:

- a) Do not meet the established eligibility/underwriting criteria; or
- b) Have engaged in or threatened abusive or violent behavior towards any Provo City Staff; or
- c) Any part of the application is determined to be fraudulent; or
- d) Have been convicted of any violent crime against a person which includes, but is not limited, to murder, sexual assault, aggravated assault, or any offence of a sexual nature including any individual required to register as a sexual offender.

Provo City will perform criminal history background checks necessary to determine criminal history and whether any household member is required to register as a register sex offender in the State of Utah or in other States where the household members are known to have resided.

Eligible Participants

Applicants for the (Program) must provide documentation for all persons in the household to verify they are U.S. Citizens, U.S. Nationals or Permanent Resident Aliens. Applicants must also meet income limits, be under contract to purchase a house in an eligible city, and must intend to use the house as their principal place of residence.

Additional eligibility is determined by doing a credit check on spouses or partners of applicants who must be included on our loan and be on title of the property, whether or not their income is necessary to qualify for this loan, or even if they are not an applicant to the first mortgage. Applicants, spouses and/or partners are required to have a credit score higher than 650 (middle score) to be eligible for this Program.

Positive Identification

To ensure your application is as smooth as possible, remember to bring all required documents. Any name variation from your source document must be accompanied by legal authorizing documentation identifying the updated information (marriage, divorce or court order.)

Identity and Legal/Lawful Status Verification (must provide one)

- a) Valid unexpired U.S. passport or passport card; or
- b) Certified copy of a birth certificate filed with the State Office of Vital Statistics or equivalent agency in the individual's state of birth (hospital document or small laminated official birth certificate issued by the Dept. of Health are not accepted); or
- c) Consular Report of Birth Abroad (CRBA) issued by the U.S. Department of State, Forms FS-240, DS-1350, or FS-545; or
- d) Valid, unexpired Permanent Resident Card, Form I-551; or
- e) Certificate of Naturalization by DHS, Form N-550 or Form N-570; or
- f) Certificate of Citizenship, Form N-560 or Form N-561, issued by DHS; and **Social Security Verification (must provide one)**
 - a) Social Security card issued by the U.S. Government that has been signed and has not been laminated; or
 - b) If the Social Security card is not available, the applicant may present one of the following documents which contain the applicant's name and SSN.
 - 1) W-2 Form

- 2) SSA-1099 Form;
- 3) Non SSA-1099 Form;
- 4) Pay stub showing applicant’s name and SSN; or
- 5) Letter from the Social Security Administration indicating ineligibility to obtain a Social Security number as a result of their legal/lawful present status.

Eligible Properties

The property must be located within an eligible city limit and under the established maximum purchase price limit as determined by HUD and updated annually. The property may not be occupied by renters who would be displaced by the sale. Properties must be empty for six months after the last renters. Properties may be a single-family house, a house with a legal accessory apartment, one half of a twin home, a town home or a condominium. The property must be the principal residence of all applicants and household members. The property must pass an inspection and may not contain any peeling, chipping, cracking or chalking paint on any surface of the property, outer buildings or fences. Multi-unit structures (duplexes, triplexes, etc.) and mobile homes are NOT eligible.

Maximum Purchase Price Limit: (Effective August 28, 2023)

Existing Housing \$551,000.00; Newly Constructed Housing \$551,000.00

Income Limits

The total household income of an applicant(s) must not exceed the income limits established for the Program. This limit is established at 80% of the median area income for low income households, adjusted for household size, as determined by HUD and updated annually.

All individuals living in the household (whether family members or not) will be considered part of the household and included to make the eligibility determination, except for:

- a) Foster children;
- b) Live-in aides;
- c) Children of live-in aides;
- d) Unborn children; and
- e) Children being pursued for legal custody or adoption who are not currently living with the household.

HUD Income Guidelines (Effective June 1, 2024)

Household Size	1	2	3	4	5	6	7	8
Income Limit	\$61,050	\$69,750	\$78,500	\$87,200	\$94,200	\$101,200	\$108,150	\$115,150

Household Income

Provo City will use the annual income definition found at 24 CFR Part 5 (Part 5) to determine Program eligibility. The Part 5 definition of annual income is the *gross amount of income of all adults (18 and older) household members that is anticipated to be received during the coming 12-month period*. This definition also states that the income of minors or live-in aides will not be included.

Applicants must provide sufficient documentation to determine income level and sources of income as listed below. The final determination of an applicant’s income level and program eligibility shall be the sole discretion of Provo City.

Income of all adult household members — Total Household Income means the total income of all household members over 18 years of age who will be residing at the home, whether they are family members or not). Household members include individuals who will be living in the home including the

head of household, spouse/partner, children, extended family members, or others listed as dependents in the submitted application or federal tax forms and any other adults who will be purchasing the property.

Anticipated Income: Income will be calculated by reviewing income sources for the prior three months from the time of application and will be projected for the next 12 months.

Income Verification: All income must be fully documented and verified. Stated income is NOT allowed. Income shall include:

- a) The **gross amount, before any payroll deductions** of wages and salaries, overtime pay, commissions, fees, tips and bonuses and other compensation for personal services;
- b) The **net income** from operation of a business or profession or from rental of real or personal property. Expenditures for business expansion or amortization of capital indebtedness shall not be deducted to determine the net income from a business;
- c) Interest, dividends and other net income of any kind from real or personal property;
- d) 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;
- e) Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay;
- f) Public Assistance. If the public assistance payment includes an amount specifically designated for shelter and utilities which is subject to adjustment by the public assistance agency in accordance with the actual cost of shelter and utilities, the amount of public assistance income to be included as income shall consist of:
 - 1) The amount of the allowance or grant exclusive of the amount specifically designated for shelter and utilities, plus
 - 2) The maximum amount which the public assistance agency could in fact allow for the family for shelter and utilities;
- g) Periodic and determinable allowances such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling; and
- h) All regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is head of the family or spouse.

Self-Employed Income

For self-employed applicants the net income from the operation of a business or profession is considered as the annual income. Three years of signed and dated individual tax returns, with all applicable schedules, and signed and dated copies of federal business tax returns with its corresponding schedules is required as well as a 12-month Profit and Loss Statement.

Assets

Income from assets is counted as part of the annual household income. In general terms, an asset is a cash or non-cash item that can be converted to cash. The value of necessary items such as furniture and automobiles are not included. It is the income earned—e.g. interest on savings account or 401K—not the asset value, which is counted in annual income. Actual or imputed interest income from assets in excess of \$5,000 will be included in the total household income.

Applicants may not have cash assets or cash available (liquid assets) in excess of \$15,000 at time of closing.

Gifts

Gifts may be acceptable as long as the requirements of the first mortgage underwriter are met. However, in no event shall the gift portion of the transaction exceed the amount of assistance obtained by the applicant through this Program.

Down Payment Assistance

The following ratios are available with a minimum mid-credit score of 650; no exceptions.

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); verified and documented cash reserves;

Loan to Value not to exceed 103%.

Payments will be deferred as long as applicant(s) occupy the property as their principal place of residence. Loan proceeds may be used to pay closing costs; however, proceeds may not be used to cover prepaid items. Applicants must be prepared to make a minimum personal investment of \$1,000. Applicants are responsible for obtaining a first mortgage at a fixed interest rate and amortized over 15, 20 or 30 years with no negative amortization, balloon payments or adjustable rate features. Applicants must complete a pre-purchase homeownership counseling course prior to receiving Program funds.

The combined monthly payment, taxes and insurance (housing expense ratio—HER) cannot exceed 35% of the applicant’s gross monthly income. The total debt of the applicant (DTI) cannot exceed 45% of the applicant’s gross monthly income or if compensating factors are met, one of the higher ratios previously mentioned.

Definitions

Displaced Homemaker:

- a) Is an Adult;
- b) Has not worked full-time for a full year in the labor force for a number of years, but has during such years worked primarily without remuneration to care for the home and family; and
- c) Is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.

Economic Hardship: A drastic reduction or loss of income caused by the loss of employment, serious or chronic illness or health conditions, and/or similar, verifiable circumstances. Reduction of value of the home and inability to sell will also be considered.

First-Time-Homebuyer:

- a) An individual and his or her spouse who has had no ownership in a principal residence during the 3-year period ending on the date of purchase of the property for which down-payment assistance is sought. This includes a spouse or partner (if either meets the above test, they are considered first-time-home-buyers).
- b) A single parent who has only owned with a former spouse while married.
- c) An individual who is a displaced homemaker and has only owned with a spouse.
- d) An individual who has only owned a property not permanently affixed to a permanent foundation in accordance with applicable regulations.
- e) 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 permanent structure.

Liquid Assets: The total amount of funds that are in the form of cash or can *quickly* be converted to cash. These include: (1) cash, (2) demand deposits, and time and savings deposits.

Principal (Primary) Place of Residence: The home where you spend the majority of your time, a minimum of 51% of the time. This is not the only test, other factors that will be relevant to the determination include, but are not limited to:

- a) The address on your valid driver's license;
- b) Your place of employment (city, state);
- c) Where your immediate family lives;
- d) The address you use to file your federal and state income tax return;
- e) Where you are registered to vote;
- f) The property where you claim your home owner's property tax exemption (many states and counties allow for the payment of lower property taxes on your principal residence);
- g) The mailing address you use for bank and brokerage statements and other general bills;
- h) Where you maintain your bank accounts and other financial relationships;
- i) Where you maintain social memberships, such as health and/or country clubs, etc., religious affiliations.

All of the facts and circumstances will be considered.

Single Parent:

- a) Is unmarried or legally separated from a spouse; and
- b) Has one or more minor children of whom the individual has custody or joint custody, or is pregnant.