

**EXHIBIT "A"**

**CITY OF BAYTOWN  
HOMEBUYERS' ASSISTANCE PROGRAM (CDBG-FUNDS)  
GUIDELINES**

**I. PURPOSE**

The Homebuyers' Assistance Program is sponsored by the City of Baytown and administered through its Planning and Community Development Department. The goal of the program is to stabilize neighborhoods by assisting households to purchase affordable housing within the city limits.

**II. PROGRAM DESCRIPTION**

All homebuyers are required to provide proof of eligibility and be able to obtain a mortgage loan. The homebuyer should consult a real estate agent to find an eligible home and pay the required deposits for mortgage loan application processing and earnest money agreement. Upon mortgage loan approval, the Community Development Division will render closing cost assistance as a five (5) year forgivable loan. Homebuyers will receive aid on a first come, first serve basis.

**III. ELIGIBILITY REQUIREMENTS**

All potential homebuyers must provide the appropriate documents to verify the following:

1. homebuyer is able to obtain mortgage financing;
2. homebuyer is 18 years of age or older;
3. all members of applicant's household are legal residents of the United States;
4. homebuyer has completed the Homebuyers' Counseling Workshop sponsored by the City;
5. homebuyer's employment and credit stability is consistent with lender's qualifications;
6. no person in the household has previously received assistance through the Homebuyers' Assistance or Housing Rehabilitation Programs of the City of Baytown;
7. neither the applicant nor any person in the applicant's household has owned a home within the past three (3) years; and
8. applicant household's annual gross income must not exceed the maximum income limits, which will be recalculated each year based on HUD's guidelines and the median income of residents of the Houston Primary Metropolitan Statistical Area.

For purposes of determining whether the eligibility requirement enumerated in item 7 of this article has been satisfied, a person will be deemed to have owned a home within the last three (3) years if during such time, the person had an ownership interest in a manufactured home, mobile home, and/or site built home and held more than merely a leasehold interest in the property on which the same was situated.

**IV. DEFINITIONS**

Annual Gross Income: wages listed on annual W-2 tax form in addition to the following applicable income sources including, but not limited to, all unreported wages, salaries, tips, commissions, overtime, self-employment wages, farm self-employment wages, part-time income, unemployment benefits, stock/bond interest and dividends, net rental income, estate

or trust funds, Social Security awards, disability benefits, retirement pensions, Supplemental Security Income (SSI), Aid to Families with Dependent Children (AFDC), survivor pensions, veteran benefits, child support, and alimony.

Applicant Household: the household that is applying for the Assistance Loan and a home mortgage loan from a lender.

Assistance Loan: the amount that the City of Baytown grants to the homebuyer that supplements closing costs incurred during the mortgage loan financing process.

City: the City of Baytown, Texas, its officers, agents, representatives and employees.

City of Baytown's Lien: the legal claim against a property in the amount of the Homebuyers' Assistance Loan that must be paid to the City of Baytown in the pro-rated amount if the homebuyer is no longer in compliance with the terms of the Owner-Lien Agreement. This lien is subordinate to the lender's mortgage lien.

Closing Costs: only those expenses that are necessary and incurred by buyers in transferring property ownership that are above the price of the property and are not included in the financing. The City of Baytown may limit the amount the City pays towards closing costs pursuant to the customary fee schedule attached as Exhibit A. Closing costs will not exceed \$4,500. Additional fees and/or fees above those listed on Exhibit A must be reviewed and approved by City of Baytown staff prior to closing. Justification may be required in writing. The buyer or seller may be responsible for paying closing cost fees that are not paid through CDBG funds.

Earnest Money: the deposit made to the title company by the potential homebuyer to show his/her serious intention of purchasing the property. This money is applied to the closing costs.

Homebuyer: the person applying for City of Baytown's Homebuyers' Assistance Program and the same person applying for a home mortgage loan from the lender.

Household: all persons who occupy a housing unit. The occupants may consist of a single person; a group of persons related by birth, marriage, adoption or law; or, a group of unrelated persons who share living arrangements.

Lender: a bank, savings institution or mortgage company that offers home loans and signs a Homebuyers' Assistance Program Lender Participation Agreement with the City of Baytown.

Maximum Income: the maximum gross income allowed for program eligibility. The scale is calculated according to Housing and Urban Development's (HUD) guidelines using the Houston Primary Metropolitan Statistical Area's median income.

Mortgage: a legal document that pledges a property to the lender as security for payment of a conventional, Federal Housing Administration (FHA), Veteran's Administration (VA), or other home loan product processed by a lender.

Real Estate Agent: an agent licensed to show and sell homes in the State of Texas.

Staff: any member of the Planning and Community Development office charged with administrating the Homebuyers' Assistance Program.

Title Company: a corporation or other business entity, which is authorized and licensed to transact the business of insuring titles to interests in real property in this state and completes closing documents in the City of Baytown.

## **V. APPLICATION PROCESS**

1. Interested homebuyers will obtain an application and the guidelines from the Planning and Community Development office. Staff will explain the program requirements and answer any questions regarding the program.
2. Staff will schedule the homebuyer for the Homebuyers' Counseling Workshop. This workshop is free of charge and open to anyone interested.
3. The homebuyer is required to submit to Staff the preliminary qualifying documents (see current Process Guide) and sign the information release forms allowing Staff access to loan files when returning the completed application.
4. Staff will review the application and notify homebuyer of eligibility status, which is contingent on fulfilling all requirements of the application process and mortgage loan approval.
5. Homebuyers who meet the initial requirements should contact a potential lender to begin a pre-approval loan process. The homebuyer must inform Staff of his/her chosen lending institution and Staff will ask the lending institution to sign a Lender Participation Agreement. If the lending institution does not wish to participate, the homebuyer must seek financing from another institution.
6. After receiving notification from the lender of the maximum mortgage loan amount available, the homebuyer should meet with a real estate agent to look for an eligible home.
7. The homebuyer will update all information previously submitted to the City if the information is over three (3) months old. The homebuyer must also have completed the City-sponsored Homebuyers' Counseling Workshop to proceed with the program.
8. The homebuyer will take the Homebuyers' Counseling Workshop certificate to the lender, pay for the application deposit and begin the loan process. Loan procedures depend on the lending institution. The lender, using its own guidelines, will determine the homebuyer's creditworthiness with regard to loan approval.
9. The lender will advise Staff of the incurred closing costs. Staff will process the Assistance Loan, which will be the amount of closing costs less the earnest money deposit, fees paid outside of closing and category fees not payable by the Program. The Assistance Loan will not exceed \$4500. The homebuyer is responsible for any fees over and above \$4500 needed to close the mortgage loan.

10. The homebuyer must secure an eligible home with an Earnest Money Agreement and an earnest money payment to the Title Company before completing the loan process. This deposit will be used as part of the closing costs.
11. After the lender notifies Staff of loan approval, the homebuyer must sign an Owner-Lien Agreement with the City of Baytown stipulating the requirements of the five (5) year forgivable loan.
12. The forgivable loan will be made by the City to the homebuyer payable to the Title Company at the time of closing.
13. Any homebuyer who falsifies information will be disqualified from the program.

#### **VI. HOMEBUYER'S RESPONSIBILITIES**

1. Secure a mortgage loan from a lender.
2. Consider contacting a real estate agent to find an eligible home.
3. Tender Earnest Money Agreement and corresponding earnest money, if any, to a Title Company.
4. Tender the funds for mortgage loan application fees charged by Lender, if applicable.
5. Furnish Staff with a copy of the completed mortgage loan application and the receipt of application fee.
6. Attend the Homebuyers' Counseling Workshop sponsored by the City.
7. Sign the information release form to allow access to lender's loan file.
8. Furnish Staff with a copy of the property inspection, termite inspection, survey, appraisal and any other property evaluation report required by the lender.
9. Inform Staff of changes in information previously provided on the application any time during the loan process.
10. Complete a yearly update on a form provided by the City and return to Staff.
11. Remain a resident in the chosen home for at least five (5) years.
12. Adhere to all requirements outlined in the guidelines, Deed of Trust and Owner-Lien Agreement.

#### **VII. HOMEBUYERS' ASSISTANCE LOAN**

1. Loans will be used for payment of closing costs.
2. The closing cost assistance is granted as a five (5) year forgivable loan at the time of closing.
3. The amount of loan granted depends upon the total amount necessary to complete the loan process less the down-payment and application deposit collected by the lender and the earnest money deposit collected by the Title Company.
4. The maximum Assistance Loan amount will not exceed \$4500 for each home.

#### **VIII. SECURITY**

1. The Homebuyers' Assistance Loan will be secured by a five (5) year lien on the property subordinate to the mortgage lien.
2. Forgiveness of the Assistance Loan will be pro-rated for five (5) years. Twenty percent (20%) of the total Assistance Loan will be forgiven at the end of each year of ownership and completely forgiven at the end of the fifth year.
3. The conditions of the Assistance Loan are separate from the mortgage requirements of the lender.

4. During the five (5) year loan period, upon sale, transfer of title, or cessation of owner-occupied status, as defined in the Owner-Lien Agreement, the unforgiven balance of the Assistance Loan shall be immediately due and payable to the City of Baytown.
5. In no case will the Assistance Loan be assumable by the next purchaser.
6. In the event the homebuyer refinances the original mortgage loan, the pro-rated share of the Assistance Loan must be repaid before the lien is released.

**IX. ELIGIBLE PROPERTIES**

Eligible properties must meet all of the following criteria:

1. detached single family housing structures, excluding manufactured and mobile homes;
2. priced \$105,000 or below;
3. located within the city limits of Baytown; and
4. the property owner and/or seller cannot be related to the homebuyer within the third degree by consanguinity and/or second degree by affinity (marriage, blood or law) as defined in Chapter 573 of the Texas Government Code, nor can the property be owned by a member of the homebuyers' household.

**X. HOMEBUYERS' COUNSELING WORKSHOP**

1. Workshops will be sponsored by the City of Baytown.
2. A workshop must be completed no more than four (4) months before obtaining the Homebuyers' Assistance Loan and the mortgage loan from the lending institution.
3. Workshop topics will include, but are not limited to, how to buy a home, how to apply for a loan, ownership benefits and responsibilities, home maintenance, household budgeting and the loan closing process.
4. Homebuyers will be given a workbook and a Certificate of Completion upon successfully completing an entire Homebuyers' Counseling Workshop.

Exhibit A

**HOMEBUYERS' ASSISTANCE PROGRAM  
CUSTOMARY FEE SCHEDULE**

The City may pay the actual amounts up to the listed customary fees for the following categories:

<b>Fee Category</b>	<b>Payable Fees</b>
Loan Origination Fee	1%
Loan Discount/Point	1%
Appraisal Fee	\$325
Credit Report	\$65
Underwriting Fee	\$425
Document Fee	\$200
Wire Transfer Fee	\$75
Processing Fee	\$350
Funding Fee	\$100
Flood Certificate	\$25
Survey	\$350
Courier/Messenger Fee	\$50
Structural Inspection	\$200
Pest & Termite Inspection	\$100

The City may also pay up to 1 year for hazard and mortgage insurance (deposit & premium); actual tax and interest proration; mortgagee's title policy; title charges; recording fee, and tax certificate.

Categories not included in closing costs will be earnest money deposit, down payment, and real estate broker/agent commissions. Attorney fees are not payable if buyer retains his/her own attorney and the attorney is not in connection with the loan closing as such review of abstract or preparation if closing documents.