TOWN OF BABYLON

Community Development's

HOME Down Payment Assistance Program

for First Time Homebuyers

PROGRAM GUIDELINES

PLEASE RETAIN THESE GUIDELINES AFTER YOU SEND IN YOUR APPLICATION AS THEY CONTAIN IMPORTANT PROGRAM INFORMATION.

This program is open on a first-come, first-served basis until funding has been exhausted.

I. Grant Assistance

Under this program the Town of Babylon (TOB) will provide eligible first time home buyers with up to $14,000 towards down payment/closing costs for the purchase of an eligible single-family home. This program can be coupled with most other types of assistance programs and mortgages available, but cannot be used with any program already being funded with HOME funds through the Town of Babylon.

II. Program Eligibility

In order to be eligible to participate in the Town of Babylon Down Payment Assistance Program, a first-time homebuyer must meet the income limits described below, homebuyer contribution and have an acceptable credit history as defined by the standards contained in these guidelines. These standards reflect the objective that HOME funds used for homeownership opportunities with other non-HOME mortgage debt is affordable to and sustainable by the borrower.

a) Income Guidelines

The maximum permitted total household income for purchasers in the Town of Babylon HOME Down Payment Assistance Program shall not exceed 80% of the median annual household income for the area as determined by HUD:

Household Size	Maximum Total Annual Income [1]	Minimum Total Annual Income [2]
1	$ 59,500	$30,000
2	$ 68,000	$30,000
3	$ 76,500	$30,000
4	$ 84,950	$30,000
5	$ 91,750	$30,000
6	$ 98,550	$30,000
7	$ 105,350	$30,000
8 or more	$ 112,150	$30,000

[1] Includes all income – overtime, bonuses, pensions, social security, 401K distributions, tips, etc. Total household income minus allowable exclusions cannot exceed the maximum annual income listed above for your household size. The Long Island Housing Partnership (LIHP) must project the income that will be received for the upcoming 12-month period. Tax returns will be required for all household members whose earnings will be used as part of the income qualification. Any person whose earnings will be used to qualify for the program will be required to sign a '4506' tax release form to verify their tax returns with the Internal Revenue Service.

[2] Minimum income does not apply to applicants participating in the Section 8 Home Ownership Program.

b) Credit History Standards

The following credit history standards will be analyzed in conjunction with income limits to determine program eligibility:

- Applicants must have an overall good pattern of credit behavior including a history of timely payments for rent, automobile and installment loans, credit cards and revolving loans as described below. If a good payment pattern has been maintained, isolated cases of slow/late payments may not disqualify an applicant for program eligibility.
    - Applicant must not have been late on rental payments in the last 12 months.
    - Payments on automobiles and installment loans should reflect no late payments in recent 24 months.
    - Payments on revolving loans or credit cards should not have any late payments in recent 24 months.
- Applicants must have a satisfactory income, credit and employment history.
- At a minimum, a bankruptcy must have been discharged at least three years from date of application for assistance and credit re-established.
- At a minimum, a foreclosure sale or a transfer of title in a deed in lieu of foreclosure must be at least three to five years old from date of application for assistance.
- No outstanding collection accounts or judgements.
- As part of the credit history and mortgage ability review, LIHP will utilize the middle credit score of all borrowers from three national credit repositories. At a minimum this credit score must be at least 580. (Higher credit scores may be required by lenders).
- The credit standards listed above are to determine program eligibility and do not represent a mortgage approval. The applicant is responsible for securing a mortgage approval through a responsible lending institution.

c) Citizenship

Each person who will be residing in the home must be a U.S. Citizen or a Qualified Resident Alien. For the purposes of this program, a qualified resident alien is an alien who is lawfully admitted to the United States for **Permanent Residence** under the Immigration and Nationality Act.

d) Home Buyer Contribution

Applicants, at time that the application is submitted to LIHP, must have a minimum of $3,000 in savings/checking accounts or verifiable liquid assets from their **own funds** to apply towards the down payment.

III. Gift Letter

LIHP will allow a gift letter from an immediate family member stating that the money provided is in the form of a gift and will not have to be repaid. This letter must be signed, notarized and submitted with the application. This gift contribution **cannot** be used towards the $3,000 minimum home buyer contribution.

IV. Property Value Limit

The purchase price of the property to be purchased may not exceed 95% of the median purchase price, as established by HUD annually, for Town of Babylon for the type of housing being purchased. **The limit on the maximum purchase price of a single-family unit is $352,000. Please verify this figure with TOB or LIHP prior to signing a contract.** The property being purchased must appraise at the purchase price or higher. If the property appraises lower than the purchase price, down payment funds will not be available to purchase the home.

V. First-Time Homebuyer Requirement

This program is limited to first-time homebuyers only as described below:

- A household that has not owned a home during the three-year period immediately prior to the date of application for assistance is considered a first-time homebuyer.
- Applicants may own vacant land or a vacation timeshare provided that they have not received the benefits of the mortgage interest deduction and/or property tax deduction during the prior three years from date of application for assistance.
- Applicants who do not hold title to a home but did receive the benefits of the mortgage interest deduction and/or property tax deduction during the prior three years from date of application are not considered first-time homebuyers.
- Please contact LIHP with any questions regarding this requirement.

VI. Eligible Housing Types

Eligible homes are pre-existing or newly constructed **single-family residences** located within the Town of Babylon and occupied as a principal residence and include:

- Town Houses
- Condominiums
- Co-operative Apartments
- Manufactured homes
- Residences must meet all Town of Babylon Building Codes
- Residences cannot contain any rental units
- No foreclosures
- No short sales
- No real estate or bank owned properties.

VII. Home Inspection Requirement

The residential property to be purchased **must** pass a Babylon Town Building Code Inspection as a pre-requisite for receiving any grant funds. This inspection is provided by the Town of Babylon and is solely for the purpose of ensuring that the home meets a minimum standard of quality pursuant to the U.S. Department of Housing and Urban Development regulations (HUD). Without exception, this program will not fund homes that **fail** the Babylon Town Building Code Inspection conducted by the Babylon Town Building Inspectors. The Town of Babylon strongly recommends that the recipient of a Purchaser's Certificate **not** enter into any binding agreements until the potential home has passed the Babylon Town Building Code Inspection. The Town of Babylon and LIHP are not responsible to any person, party, entity, Applicant, Buyer, seller, etc., for the loss of any deposit and/or down payment on a home which has not passed a Babylon Town Building Code Inspection.

Any contract for the purchase of a home under this program should contain language that such an agreement is conditioned upon said home passing the Babylon Town Code Inspection and receiving written approval that said house is eligible to receive grant funds.

VIII. Residency Requirement

Applicants must occupy the property as their Principal Residence during the period of affordability. The period of affordability is five (5) years.

IX. Pre-purchase Guidelines

Applicant **cannot have entered into a contract** to purchase a home prior to receiving a Town of Babylon "Purchaser Certificate."

X. Homebuyer Selection Area

All homes must be purchased within the Town of Babylon, which consists of the following hamlets and villages:

- AMITYVILLE
- NORTH AMITYVILLE
- BABYLON
- COPIAGUE
- DEER PARK
- EAST FARMINGDALE-Suffolk County
- LINDENHURST
- NORTH BABYLON
- WEST BABYLON
- WHEATLEY HEIGHTS
- WYANDANCH

Homes purchased within a flood zone must have flood insurance.

XI. Mortgage Ability & Mortgage Counseling Requirements

Applicants must have adequate resources and credit to qualify for a home mortgage. **Eligible applicants are required to attend LIHP's pre-purchase mortgage counseling.** (This counseling session is **free of charge** and takes approximately two hours. LIHP is a HUD certified mortgage-counseling agency). LIHP assists qualified applicants in securing a mortgage. (However, it is the responsibility of the applicant to secure a mortgage.) Applicants must submit to LIHP all standard documentation required for mortgage processing, including signed copies of the last three years of their Federal Income Tax Returns, W-2 forms, four (4) most recent consecutive pay stubs, and most recent two (2) months bank statements (all pages) and investment accounts showing assets needed for down payment and closing costs.

Federal regulations require that the amount of down payment assistance be necessary and reasonable. To meet this requirement LIHP will conduct a mortgage ability analysis to establish the appropriate amount of down payment assistance. A standard of 25% of income for front-end housing cost (principal, interest, taxes and insurance) shall be applied. This amount will be determined based on the applicant's income, sales price of home and outstanding expenses and debt. After LIHP has conducted this analysis, any applicant whose front-end housing cost are less than 25% of their income may have their down payment assistance reduced to meet the 25% standard. Please notify or forward to LIHP a copy of the accepted offer, as soon as possible, to expedite the mortgage ability analysis.

In addition, all loans to finance the purchase of a home will be reviewed to meet program standards. Any loan commitment that results in a back-end (debt-to-income) loan ratio greater than 45% will not be allowed.

Note:
1. **Private mortgages are not acceptable.**
2. **Mortgages must be with a recognized lending institution.**
3. **"No Doc" Loans, 100% financing, and 80/20 loans are not permitted.**
4. **203K Loans are not permitted.**
5. **Adjustable rate or Interest only loans are not permitted.**
6. **Non-occupying Co-Borrowers are not permitted.**

XII. Purchaser Certificate Issuance

Applications will be accepted and certified on a first come, first served basis until funding for the program has been exhausted. A letter from LIHP, detailing the eligibility or ineligibility, will be sent to each applicant after a full review of the applicant has been conducted. Any applicant who does not close on a house within six (6) months of the date of income eligibility letter sent by LIHP will be required to have their income eligibility recertified. The recertification process requires that the Applicant resubmit copies of four (4) current paychecks and copies of personal financial information to determine that they still meet the eligibility requirements of the program.

Eligible applicants will be required to attend mortgage counseling through the LIHP. Upon successful completion of the mortgage counseling, the eligible applicant will be issued a mortgage counseling certificate and within 3 weeks will receive a Purchase Certificate from the Program Manager. Only applicants who receive mortgage counseling through LIHP will be eligible for a Purchase Certificate. Applicants must contact LIHP to schedule a counseling session.

Applicants with a valid Purchase Certificate will be given the opportunity to enter into a contract to purchase an **eligible** home and provide LIHP with a copy of the fully executed purchase contract on a first-come, first-served basis as funding is limited. Applicants are required to contact the Program Manager once they have an accepted offer on a property to set-aside funding for closing. The Purchase Certificate will become null and void once funding limits have been reached.

XIII. Proof of No Lead Based Paint

The purchase of a residential property, constructed prior to 1978, must pass a **visual** lead based paint assessment conducted by a certified lead based paint inspector. LIHP must be provided with written certification of this assessment. **The program will not fund homes that do not pass this initial assessment.** Homes built after 1978 are not required to have this assessment; however, it is the responsibility of the applicant, under the program, to provide LIHP with proof that the home being purchased was constructed after 1978. Neither LIHP nor Town of Babylon will be responsible for the cost of the assessment. Qualified applicants will be provided with a Lead Paint Information Packet and a list of certified lead paint inspectors at the time the Purchaser Certificate is issued.

XIV. Pre-Contract Agreement

The purchaser of the home cannot displace an existing tenant. Both the purchaser and the seller will be required to sign a Pre-Contract Agreement to verify that this restriction is not being violated.

The applicant must not have entered into a contract to purchase the house prior to the issuance of the Town of Babylon (TOB) Purchaser Certificate. All homes must be purchased within the Town of Babylon. Absolutely no reimbursement of funds will be issued if a closing occurs without Town of Babylon Down Payment Assistance Funds.

XV. Annual Recertification

For five (5) years after purchasing the home, a monitoring affidavit is mailed annually to the grant recipient. This affidavit will ask the grant recipient to verify in writing that they are maintaining the following required guidelines:

- They are the current owners of the property or home.
- The property or home is being occupied as their primary residence.
- The property or home is insured and maintained in compliance with the terms of the Note(s) and Mortgage(s)
- No interest in property or home has been sold, rented or transferred
- They must sign the affidavit, have it notarized and return it to LIHP.

XVI. Closing

After all documents (Pre-Contract Agreement, Contract of Sale, Mortgage Application (1003), Appraisal, Mortgage Commitment, Loasn Estimate and Lead Based Paint Assessment) have been forwarded to the Long Island Housing Partnership, as agent for TOB, LIHP will submit a voucher which will allow the Town of Babylon office to draw down the funds and have them available at closing. Please forward documents to LIHP as you receive them. Do not wait until you have all documents. **Four (4) weeks** should be allotted between the time that all the signed documents are in the hands of the Long Island Housing Partnership and the date of the closing.

At closing, the recipient will be required to sign a Certification of Family Income, a Home Down Payment Assistance Agreement, a Rental Prohibition Agreement and a Town of Babylon Note & Mortgage which is subordinate to the prime lender (institution providing the primary mortgage) which includes affordability for a period of five (5) years. The Down Payment Assistance Program funds are essentially a deferred payment, non-interest bearing loan, to assist the buyer in a first-time home purchase which is to be repaid to the Town of Babylon if the home is sold or transferred within the five (5) year period stated above. If the home is not sold or transferred within this time period, the loan is forgiven; a satisfaction of lien must be requested from the Long Island Housing Partnership.

HOME Down Payment Assistance Program monies will be provided to the buyer by the Town of Babylon at the closing. A representative from the Town of Babylon will attend the closing and will provide the check, once legal matters have been satisfied. A mortgage (or, in the case of a co-op, a UCC-1 and Security Agreement) for the amount of down payment assistance received under the program will be provided at the closing by the Town. The buyer is responsible for recording these documents and paying any associated fees.

XVII. Complete Application Requirement

A non-refundable application fee of $35 made payable to the Long Island Housing Partnership, Inc. is required to be submitted with the application. Therefore, before you make an application for entrance into this program, **read the guidelines thoroughly** to be certain that you qualify. **Only one application is allowed. After the Application has been submitted, any changes to an application must be requested in writing *and* must be approved by Babylon Town. A signed copy of the Program Guidelines Acknowledgement must be returned with the Application.**

Applications received shall be evaluated and certified on a first come, first served basis based on the availability of funds.

A letter from LIHP, detailing the eligibility or ineligibility, will be sent to each applicant after a full review of the applicant has been conducted.

Applications can be completed and submitted online at: www.lihp.org or by being mailed to or submitted to the LIHP office in Hauppauge.

For those applicants applying online, the application fee of $35.00 can be paid through the secured payment service. Upon completing the online application you will be directed to the payment section. Follow the payment instructions to make payment by debit or credit card. Upon payment you will be sent an email confirming payment and an application receipt. **Your application cannot be accepted as complete until payment is received and the supporting documentation listed on the Checklist of Required Documentation (page 10 of application) is submitted.** The supporting documentation can be submitted by attaching the documents to the online application, scan and e-mail documents to the Program Manager jrusso@lihp.org or mail the documentation to LIHP office in Hauppauge. **Failure to submit a complete application with all required documents can result in a delay in the review of your application**.

For those applicants submitting an application by mail or in person, please send the completed application and supporting documents listed on the Checklist of Required Documentation (page 10 of the application) accompanied by a check or money order for the $35.00 application fee (do not send cash) and a signed copy of the Program Guidelines Acknowledgement to:

The Long Island Housing Partnership
180 Oser Avenue, Suite 800
Hauppauge, NY 11788
Attention: Down Payment Assistance Program

This is a first-come, first-served basis program and only complete applications will be accepted. Applications will not be considered complete until the supporting documentation listed on the Checklist of Required Documentation (page 10 of application) and the Application Fee payment is received. Once funding is exhausted for this program, applicants will be notified via mail.

INQUIRIES:
LONG ISLAND HOUSING PARTNERSHIP, INC.
As agent for Town of Babylon Community Development
Hauppauge Office:
180 Oser Avenue, Suite 800, Hauppauge, NY 11788
(631) 435-4710

PLEASE RETAIN THESE GUIDELINES AFTER YOU SEND IN YOUR APPLICATION AS THEY CONTAIN IMPORTANT PROGRAM INFORMATION.