



TOWN OF BABYLON
Community Development's
HOME Down Payment Assistance Program
for First Time Homebuyers

2018/2019

PROGRAM GUIDELINES

All Applicants are required to read the below Guidelines and affix their signature to the **Acknowledgment on the Application** signifying that they have read the Guidelines. Town of Babylon strongly recommends that you consult an Attorney prior to reviewing and accepting this document. Should an application be approved, the Applicant will be required to provide a copy of this document to their attorney.

Town of Babylon and LIHP are not responsible to any party for the loss of a down payment or any other damages which may arise as a result of a person's failure to adhere to the terms of the 2018/2019 Program Guidelines, herein.

Any party whose application has been reviewed and determined to be eligible must give a copy of the 2018/2019 Program Guidelines to their Attorney(s) immediately. The 2018/2019 Program Guidelines contain important legal information/language which must be written into any contract for purchase of a home through this program. Town of Babylon and LIHP are not responsible to any party for the loss of a down payment/closing costs or any other damages which may arise as a result of a party's failure to incorporate the 2018/2019 Program Guidelines terms/language into any contract for purchase of a home through this program.

**PLEASE RETAIN THESE GUIDELINES AS THEY CONTAIN
IMPORTANT PROGRAM INFORMATION.**

**THIS PROGRAM IS OPEN ON A FIRST-COME, FIRST SERVED BASIS
UNTIL FUNDING HAS BEEN EXHAUSTED.**

**Town of Babylon reserves the right to exercise final approval on any
application.**

- I. **Goal:** To help make the “American Dream” of homeownership a reality for first-time homebuyers in Town of Babylon.

- II. **Grant Assistance:** Under this program, Town of Babylon will provide eligible first-time homebuyers up to \$20,000 towards down payment/closing costs for the purchase of a Town of Babylon owner- occupied approved single-family home. The funds are essentially zero-interest deferred loans that are forgiven after ten (10) years. Eligibility and approval by Town of Babylon is based upon Federal regulations, which cannot be waived and/or modified. Town of Babylon approval is a prerequisite to receiving any grant funds. Only single-family homes which meet Federal Housing Quality Standards will be eligible. Town of Babylon and LIHP are not responsible, to any party, for the loss of any deposit/down payment or closing costs on a home, which has not passed a Federal Housing Quality Inspection. 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 Town of Babylon.

- III. **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 gross annual **household** income for applicants 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:

<u>Household Size</u>	<u>Maximum Total Annual Household Income</u> ¹	<u>Minimum Total Annual Household Income</u> ²
1	\$ 69,450	\$45,000
2	\$ 79,350	\$45,000
3	\$ 89,300	\$45,000
4	\$ 99,200	\$45,000
5	\$107,150	\$45,000
6	\$115,050	\$45,000
7	\$123,000	\$45,000
8 or more	\$130,950	\$45,000

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 Total Annual Household 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 judgments.
- 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) **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 and/or retirement accounts (401k, 403b etc.) to apply towards the down payment/closing costs. **The required \$3,000 must be shown in the most recent bank/retirement statements submitted with application.** All statements submitted must show the bank name, account holder's name and account number with a detailed list of transactions.

IV. **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.

V. **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.

VI. **Property Value Limit:** The purchase price of the single family home to be purchased may not exceed 95% of the median purchase price for Town of Babylon, as established by HUD annually. **The maximum purchase price of a single-family home is \$385,000. Please verify this figure with LIHP prior to signing a contract.** If the property appraises lower than the purchase price, down payment funds will not be available to purchase the home.

VII. **Applicant Eligibility:** Applications received shall be evaluated and must be certified as program eligible on a first come, first served basis according to the Application Intake and Qualification process in section XVI.

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 consecutive paychecks, two (2) most recent consecutive bank statements, most recent retirement/investments statement for all accounts and federal tax return (if applicable) to determine that they still meet the eligibility requirements of the program.

VIII. 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.

IX. Eligible Housing Types: Eligible homes are pre-existing or newly constructed **single-family residences** located within Town of Babylon, occupied as a principal residence and cannot contain any rental units or second kitchens.

Housing types include:

- Single-Family Units
- Town Houses
- Condominiums
- Co-operative Apartments
- Manufactured homes (Must be placed on real property owned or to be owned by the purchaser)
- Residences cannot contain any rental units.

NO Short Sales, Foreclosures, Bank Owned or Real Estate Owned properties are permitted in this program.

Only single family homes are eligible to receive down payment assistance/closing costs. All single family homes to which the applicant seeks to apply their purchase certificate, must meet Federal Housing Quality Standards in order for said house to be eligible for down payment assistance. For the purposes of this program, all homes are considered “ineligible” until said home passes the Federal Housing Quality Standards inspection and until Town of Babylon gives written notice that a home is “eligible” to receive grant funds. Town of Babylon will make the only and final determination as to the eligibility of a home based upon federal requirements, which cannot be waived and/or altered.

Any contract for the purchase of a home under this program should contain language that such an agreement is conditioned upon said home passing a Housing Quality Standards Inspection and receiving written approval that said house is eligible to receive grant funds. Written approval by Town of Babylon deeming a house “eligible” is required in order for an applicant to use grant funds toward down payment assistance/closing costs. Town of Babylon is not responsible to any party for

the loss of a down payment/closing costs or any other damages which may arise as a result of a person's failure to adhere to the terms of the 2018/2019 Program Guidelines, herein.

X. Residency Requirement: Applicants must occupy the property as their principal residence during the period of affordability. The period of affordability is ten (10) years pursuant to HUD guidelines. Should the Applicant sell the home prior to the expiration of the ten (10) year affordability period, all grant funds must be repaid in full upon completion of sale of said home and on a primary basis. Applicant cannot use the property as a "rental" property or use the property in any manner other than as a primary residence.

XI. Pre-purchase Guidelines: Applicant cannot have entered into a contract to purchase a home prior to the receipt of a purchase certificate from LIHP. Eligibility is determined by Town of Babylon according to Federal requirements.

XII. Homebuyer Selection Area: All homes must be purchased within the Town of Babylon, New York, 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 in a flood zone must have flood insurance.

XIII. Mortgage Ability & Mortgage Counseling Requirements: Applicants must have adequate financial 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 (2) hours. LIHP is a HUD certified mortgage-counseling agency). If you have a copy of a counseling certificate issued by LIHP within the last 12 months, please submit a copy with your application as you may have met the home buyer counseling requirement.

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, 2018 W-2 forms, four (4) most recent consecutive pay stubs for every household member age 18 or older (pay stubs must show year to date earnings) and two (2) months most recent bank statements (all pages) and investment accounts, for every household member age 18 or older, showing assets needed for down payment and closing costs.

It is the responsibility of the Applicant to secure a mortgage. Federal regulations require that the amount of down payment assistance/closing costs be necessary and reasonable. To meet this requirement, LIHP will conduct a mortgage ability analysis to establish the appropriate amount of down payment assistance/closing costs. 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 and sales price of home. After LIHP has conducted this analysis, any applicant whose front-end housing costs are less than 25% of their income will have their down payment assistance/closing costs reduced to meet 25% standard. Please notify or forward LIHP a copy of the accepted offer and loan application (1003) from lender, 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 application that results in a back-end (debt-to-income) loan ratio greater than 45% will not be allowed.**

XIV. Restrictions: Mortgages must be qualified and with a recognized lending institution. The following types of mortgages are **not** permitted under the First Time Homebuyer Program:

1. Private mortgages are not permitted.
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.

XV. Purchase Certificate: Purchaser Certificates will be issued to eligible applicants in the order in which the applications are received. **Program funds are limited.** The Purchase Certificate, issued by Town of Babylon, represents a sum of up to \$20,000.00 toward the down payment/closing costs of the Grant Recipient’s purchase of an owner occupied single-family residence.

Applicants will be notified when all available Purchaser Certificates have been issued and a waiting list has been established. Eligible applicants who are issued Purchaser Certificates will have 90 days from the date the Certificate is issued to submit a **fully executed Contract of Sale** to Long Island Housing Partnership. Failure to return a fully executed Contract of Sale by the due date shall result in the automatic nullification of the Purchaser Certificate. As Purchaser Certificates are nullified, new Certificates will be offered to eligible applicants on the waiting list in order.

After entering into a contract to purchase an owner occupied, single-family residence, applicants have 90 days to secure a mortgage with a recognized lending institution and close on the subject property. If the purchase is for **new construction**, the applicant will have 300 days to close on the subject property. Town of Babylon recommends that your attorney or representative include a clause in your contract that nullifies it in the event that you are found to be ineligible for the Down Payment Assistance Program.

All applications are subject to underwriting as part of the review process. Underwriting calculations will be done using information from the bank’s mortgage application (1003). Ratios must fit within the programs parameters. Housing Debt to Income, Total Debt to Income and Mortgage Amount to Appraised Value.

Ratios	Parameters
Front End Ratio: DTI (Housing Debt to Income)	38%
Back End Ratio: TDTI (Total Debt to Income)	45%
Loan to Value : LTV (Mtg amt to Appraised Value)	95%

XVI. Application Intake and Qualification: Applications will be evaluated 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 Participation in the program after the above criteria has been reached will be at the sole discretion of Town of Babylon and based upon the availability of federal grant funds.

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 will receive a Purchase Certificate from LIHP within 2 to 3 weeks. 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 until August 30, 2019, to enter into a fully executed contract of sale to purchase an **eligible** home and provide LIHP with a copy of the fully executed purchase contract. The Purchase Certificate will become null and void if the applicant does not provide LIHP with a fully executed purchase contract by August 30, 2019, or if the funding limit for the program year has been reached. **No extensions of these requirements will be granted.**

All applicants must close on a home by December 30, 2019, with a recognized lending institution. **No extensions will be granted.** To meet the December 30, 2019 closing deadline, the mortgage commitment and supporting documents must be received at LIHP by October 31, 2019.

XVII. Home Inspection Requirement: The residential property to be purchased **must** pass a Housing Quality Standards Inspection as a pre-requisite for receiving any grant funds. This inspection is provided by 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 Federal Housing Quality Standards Inspection. **THIS INSPECTION DOES NOT TAKE THE PLACE OF A HOME INSPECTION ORDERED BY THE PURCHASER.**

Town of Babylon strongly recommends that the recipient of a Purchaser's Certificate not enter into any agreements until the potential home has passed the Federal Housing Quality Standards Inspection. If you do enter into any agreement, the agreement should contain language that such an agreement is conditioned upon said home passing a Housing Quality Standards Inspection and receiving written approval that said house is eligible to receive grant funds. In addition to the HQS inspection, the applicant should have a licensed home inspector inspect the property at the applicant's expense after conferring with your attorney.

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/closing costs on a home which has not passed a Federal Housing Quality Inspection.

XVIII. 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. **LIHP and Town of Babylon are not responsible for the cost of the visual 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.

XIX. 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 receipt of a purchase certificate from LIHP. All homes must be purchased within Town of Babylon, New York. No funds will be issued if a closing occurs prior to full and complete satisfaction of all of the 2018/2019 Town of Babylon Down Payment Assistance Program Guidelines, herein. **Town of Babylon and LIHP are not responsible for any funds lost as a result of enforcement of the 2018/2019 Program Guidelines.**

XX. Annual Re-certification: For ten (10) 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.

Failure to adhere to the terms of the monitoring requirements may result in the immediate recapture of the entire amount of the grant funds previously awarded.

There is a required ten (10) year affordability period for the program, after which the Note & Mortgage will be forgiven, and no repayment is required. **Upon completion of the ten (10) year affordability period the homeowner will be issued a “Satisfaction of Mortgage” from the Town of Babylon. Please note that the homeowner will be responsible for all fees associated with filing the Satisfaction of Mortgage at the Suffolk County Clerk’s Office.**

XXI. Obtaining the Grant Assistance: As a condition to obtaining assistance, applicants are required to submit to Town of Babylon the following documents as soon as they are available:

- a. Mortgage Counseling Certificate
- b. Fully executed Pre-Contract Agreement. This agreement will be provided to all eligible applicants at the time a Purchaser Certificate is issued.
- c. Fully executed Contract of Sale (copy).
- d. Visual Inspection Report from an EPA Certified Lead Based Paint Inspector. This report must be completed by an EPA Certified Lead Based Paint Inspector or submit proof that the house was built after 1978.
- e. **Certificate of Occupancy (It is a document certifying a building’s compliance with applicable building codes and other laws, and indicating it to be in a condition suitable for occupancy.)**
- f. Mortgage Application (copy): also known as a 1003 form.
- g. Appraisal of the Subject Property (copy).
- h. Mortgage Commitment (copy).
- i. Fully executed and notarized Down Payment Assistance Agreement.

In order to receive the assistance, eligible applicants will be required to sign a Town of Babylon Payment Voucher and a Note & Mortgage to secure the terms of the grant. Please note those applicants purchasing a co-op will be required to sign a Note & Security Agreement and the Town of Babylon will file a UCC-1 statement in order to secure the grant assistance. Before submission, please make sure your application and all accompanying documentation is complete and accurate. Once received by LIHP any changes to your application could place your application at risk of being moved to the end of the application list.

XXII. Closing: Applicant(s) shall send all documents including: Pre-Contract Agreement, Contract of Sale, Mortgage Application (Form 1003), Loan Estimate, Appraisal, Mortgage Commitment, and Lead Based Paint Assessment to LIHP, as agent for Town of Babylon. **Please forward documents to LIHP as you receive them. Do not wait until you have all documents. A minimum of four (4) weeks should be allowed between when all signed documents are received by the Long Island Housing Partnership and the date of the closing.**

Town of Babylon will notify the applicant’s attorney when funds are available to close. At closing, the recipient will be required to sign a Certification of Family Income and a Town of Babylon Note & Mortgage.

No interest in the subject property has been sold, rented or transferred. The Note and Mortgage are subordinate to the prime lender (the institution providing the primary mortgage) and includes an affordability period of ten (10) 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. If the home is kept in compliance during this time period (10 years), the loan is forgiven and no payments will be required on the loan. Upon completion of the ten (10) year affordability period and assuming the home is in compliance, the applicant may request an “application for satisfaction” from Town of Babylon or LIHP and the **applicant will be responsible** for any and all fees associated with preparing and filing the satisfaction at the Suffolk County Clerk’s Office.

Once all legal matters are satisfied a closing will be scheduled by Town of Babylon.

HOME Down Payment Assistance Program monies will be provided to the buyer by Town of Babylon at the closing. A Town of Babylon representative will attend all closings, regardless of the funding source.

XXIII. Complete Application Requirement: A non-refundable application fee of \$35.00 made payable to the Long Island Housing Partnership, Inc., is required with the application. Therefore, before you make an application for entrance into this program, read the guidelines thoroughly.

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 Town of Babylon. Completed applications received shall be evaluated and certified on a first come, first served basis based on the availability of funds.

Applications can be completed and submitted online at: www.lihp.org/downpayment.html 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 secure 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.
- **For those applicants submitting an application by mail or in person:** Please send the completed Application with required documents accompanied by a check or money order made payable to Long Island Housing Partnership Inc. for the \$35.00 application fee (do not send cash) to:

**Long Island Housing Partnership
180 Oser Avenue, Suite 800
Hauppauge, New York 11788
Attention: Town of Babylon Down Payment Assistance Program**

DO NOT FAX OR EMAIL DOCUMENTS. DO NOT SEND PICTURES OF DOCUMENTS

You may send documents to us via a secure document transmittal form located on our website at www.lihp.org under the “About Us” tab or directly at <https://www.lihp.org/doctransmit.html>

This is a first-come, first served 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 and the

Application Fee payment is received.

Fair Housing Laws will be followed. The LIHP staff is available to assist with the application, and answer questions about eligibility requirements. We also provide free mortgage counseling. If you have any questions regarding any of the guidelines or need language assistance including translation and/or oral interpretation services, please call the Long Island Housing Partnership at (631) 435-4710 before applying.

Disclaimer: It is understood that this is not an offer and that terms and conditions may be changed at any time by the Long Island Housing Partnership, Inc., and Affiliates. It is further understood that notices by the Long Island Housing Partnership, Inc., and Affiliates may be made in such manner as Long Island Housing Partnership, Inc., and Affiliates may determine, including solely by advertisement. It is also understood that entry into the lottery is not a guarantee that you meet all program requirements to purchase a home.

PLEASE RETAIN THESE GUIDELINES AS THEY CONTAIN IMPORTANT PROGRAM INFORMATION.

Application Deadlines

1. **August 30, 2019:** Last day to submit a contract to purchase an eligible home to LIHP. Failure to submit a purchase contract will nullify Purchaser's Certificate.
2. **October 31, 2019:** Last day to obtain a mortgage commitment and submit all required documents to LIHP.
3. **December 30, 2019:** Last day to close on an eligible property.

ALL INQUIRIES TO:

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