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HARRIS COUNTY, TEXAS
COMMUNITY SERVICES DEPARTMENT

Adrienne M. Holloway, Ph.D.
Executive Director

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March 16, 2021

County Judge Hidalgo and
Commissioner Ellis, Garcia, Ramsey and Cagle

AGENDA LETTER

Please consider the following item on the Commissioners Court Agenda for March 30, 2021.

Approval of the revised Harris County Downpayment Assistance Program (DAP) Guidebook and Procedures Manual (effective April 1, 2021) to revise formatting throughout, clarify language, update processes, procedures, polices and improve the quality for use internally and by stakeholders.

Thank you for your assistance with this request.

DocuSigned by:
Adrienne Holloway
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Adrienne M. Holloway, Ph.D.
Executive Director

AMH/dc

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Harris County Community Services Department

Executive Summary

March 30, 2021

In May 2002, Commissioners Court approved the creation of the Downpayment Assistance Program (formerly known as the "Mortgage Assistance Program"). This program is designed to utilize mortgage lenders and banks in the delivery of down payment assistance to low-to-moderate income homebuyers in Harris County.

Subsequently in August 2003, Commissioners Court approved the guidebook and procedures manual. This guidebook was prepared to provide an overview of the DAP Program as well as information to the participating lenders on the guidelines and requirements for participants of the program.

The primary goal of the program is to increase the homeownership rate in Harris County as well as meet the National Objective of the federal funding sources that are used to provide this assistance. Funding for the program is made available through HOME Investment Partnerships (HOME), Community Development Block Grant - Disaster Recovery (CDBG-DR) and Neighborhood Stabilization (NSP) Program funds.

The Community Services Department (CSD) seeks to make changes to the DAP Guidebook and Procedures Manual to improve the quality for use internally and by stakeholders. Changes to the Guidebook were made which include policy changes, clarifying language, new definitions, updated processes, modified forms, added appendix and revised formatting throughout the manual.

On September 24, 2019, Commissioners Court approved material changes to the guidebook and procedures manual.

Now due to recent updates and changes, CSD is requesting Commissioners Court approval of the DAP guidebook. The recent changes are as follows:

- Clarified applicant eligibility requirements
- Added or modified definitions related to the lending process
- Instituted a 2-stage loan submittal process
- Added program overview, purpose, scope, goal, and diagram outlining overall process
- Refined submittal and processing procedures to improve efficiency and increase loan approvals
- Increased buyer contribution from $500 to $1,000
- Updated new construction maximum sales price to $238,000 in accordance with HUD 2020 HOME Homeownership Value Limits for newly constructed housing in each area
- Added How DAP Assistance amount is calculated
- Amended Lead-Based Paint (LBP) Policy for homes built pre-1978
- Added language related to Fair Housing, marketing and outreach, foreclosure, monitoring procedures, and reasons for decline

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It is recommended that Commissioners Court approve the Harris County Downpayment Assistance Program Guidebook and Procedures. The guidebook and procedures are attached hereto and incorporated for the record.

STATE OF TEXAS §
§
COUNTY OF HARRIS §

The Commissioners Court of Harris County, Texas, convened at a meeting of said Court at the Harris County Administration Building in the City of Houston, Texas, on the _____ day of _____, 20__, with all members present, to-wit:

Lina Hidalgo	County Judge
Rodney Ellis	Commissioner, Precinct 1
Adrian Garcia	Commissioner, Precinct 2
Tom S. Ramsey	Commissioner, Precinct 3
R. Jack Cagle	Commissioner, Precinct 4

and the following members absent, to-wit: _____, constituting a quorum, when among other business, the following was transacted:

ORDER AUTHORIZING APPROVAL OF THE UPDATED DOWNPAYMENT ASSISTANCE PROGRAM (DAP) GUIDEBOOK AND PROCEDURES MANUAL

Commissioner _____ introduced an order and made a motion that the same be adopted. Commissioner _____ seconded the motion for adoption of the order. The motion, carrying with it the adoption of the order, prevailed by the following vote:

	Yes	No	Abstain
Judge Hidalgo	☐	☐	☐
Comm. Ellis	☐	☐	☐
Comm. Garcia	☐	☐	☐
Comm. Ramsey	☐	☐	☐
Comm. Cagle	☐	☐	☐

The County Judge thereupon announced that the motion had duly and lawfully carried and that the order had been duly and lawfully adopted. The order thus adopted follows:

All Harris County officials and employees are authorized to do any and all things necessary or convenient to accomplish the purpose of this Order.

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DOWNPAYMENT ASSISTANCE PROGRAM (DAP) GUIDEBOOK

Housing Programs Section
Lending Services Division
DRAFT
(latest revisions 03/16/2021)

HARRIS COUNTY COMMUNITY SERVICES DEPARTMENT(CSD) Copes, Candice
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Harris County Community Services Department 2020 Down Payment Assistance Program Guidebook Approval Log:	
Version 1.0	Harris County Commissioners Court Approved on September 24, 2019
Version 2.0	Harris County Commissioners Court Approved on December 15, 2020

Version	**Change Date**	**Section**	**Policy Change**
2.0	9/2020	6.1	Requesting to increase the amount of buyer contribution from $500 to $1,000
2.0	9/2020	12.3	Refinance of 1st loan and Subordination
2.0	2/2021	8.4	Changes made to allow purchase of homes constructed pre 1978

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	Date		Change
2.0	10/2020	Entire	Modified formatting throughout document
2.0	10/2020	Entire	Replaced the acronym CSD with HCCSD throughout document
2.0	10/2020	Entire	Changed verbiage from inactive/active to invalid /valid throughout document
2.0	10/2020	3.0	Added "Frequently Used" to Acronyms
2.0	10/2020	3.2	Clarified the Definition of Deed Restrictions
2.0	10/2020	3.2	Clarified the Definition of Homebuyer
2.0	7/2020	3.2	Modified definition of Affordability Period
2.0	7/2020	3.2	Modified language to Annual Income inserting the word "projected"
2.0	7/2020	3.2	Modified definition of Appraisal
2.0	7/2020	3.2	Modified definition Area Median Income (AMI)
2.0	7/2020	3.2	Automated Underwriting System (AUS) changed automated system inserting "a technology driven underwriting process"
2.0	7/2020	3.2	Added definition for Buyer's Agent
2.0	7/2020	3.2	Modified Community Development Block Grant Disaster (CDBG) definition
2.0	7/2020	3.2	Added definition for Conventional Loan
2.0	7/2020	3.2	Added definition for Closing
2.0	7/2020	3.2	Added definition for Default
2.0	7/2020	3.2	Added definition for Down Payment
2.0	7/2020	3.2	Added definition for Earnest Money
2.0	7/2020	3.2	Added definition for Escrow
2.0	7/2020	3.2	Added definition for FHA Mortgage Limit
2.0	7/2020	3.2	Added definition for Fixed Rate Mortgage
2.0	7/2020	3.2	Added definition for Foreclosure
2.0	7/2020	3.2	Added definition for Governmental Assistance
2.0	7/2020	3.2	Added definition for Home Inspection
2.0	7/2020	3.2	Modified definition of Interest Rate
2.0	7/2020	3.2	Added definition for Lender

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2.0	7/2020	3.2	Added definition for Loan Estimate (LE)
2.0	7/2020	3.2	Added definition for Loan Officer
2.0	7/2020	3.2	Added definition for Loan Originator
2.0	7/2020	3.2	Added definition for Mortgage Banker
2.0	7/2020	3.2	Added definition for Mortgage Broker
2.0	7/2020	3.2	Added definition for Mortgage Insurance Certification
2.0	7/2020	3.2	Mortgage-to-income ratio updated to Housing-to-income ratio
2.0	7/2020	3.2	Added definition Non-Income Affidavit
2.0	7/2020	3.2	Added definition Participating DAP Lender
2.0	7/2020	3.2	Added definition Part 5 Annual Income
2.0	7/2020	3.2	Added definition Point or Discount Points
2.0	7/2020	3.2	Added definition Pre-Qualification
2.0	7/2020	3.2	Added definition Private Mortgage Insurance (PMI)
2.0	7/2020	3.2	Added definition Seller's Agent
2.0	7/2020	3.2	Modified definition for Single Family Home Inspection
2.0	7/2020	3.2	Added definition Subsidy Layering
2.0	7/2020	3.2	Added definition Subsidy Layering Analysis
2.0	7/2020	3.2	Added definition Underwriter
2.0	7/2020	3.2	Added definition Underwriting
2.0	7/2020	3.2	Added definition Unfair lending Practice
2.0	10/2020	3.2	Added definition for Prepaids
2.0	7/2020	3.2	Added definition for Title
2.0	10/2020	4.0	Introduced DAP Program Goal
2.0	7/2020	4.0	Added Purpose & Program Scope -New section to define the purpose and scope of DAP program.
2.0	7/2020	5.0	Added Program Overview
2.0	7/2020	5.1	Added General Information
2.0	7/2020	5.2	Added "How to Become a Participating Lender Diagram (Phase 1)"
2.0	7/2020	5.3	Added "File Submittal Process Diagram (Phase 2)"
2.0	10/2020	5.4	Modified DAP file submittal checklist and added clarifying submittal stages

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2.0	10/2020	5.4.1	Added definition for an approved valid loan file
2.0	10/2020	5.5	Added "Property and Loan Approval Process Diagram (Phase 3)"
2.0	10/2020	5.6	Added "Closing Process Diagram (Phase 4)"
2.0	10/2020	5.7	Added "Post-Closing Process Diagram (Phase 5)
2.0	7/2020	6.1	Clarifying language added for exceptions to Applicant(s) who may not own another home or property
2.0	7/2020	6.1	Removed language requiring applicant(s) must qualify for a 30-year term loan
2.0	7/2020	6.1	Added clarifying language that a Lender is required to consider the DAP loan assistance to determine loan amount and CLTV
2.0	7/2020	6.2	Added Definition of a First-Time Homebuyer
2.0	2/2020	6.4	Expanded definition of Income
2.0	7/2020	6.5	Added Income Requirements
2.0	7/2020	6.6	Expanded explanation of Homebuyer Education
2.0	7/2020	6.6	Added Link to HUD-approved housing counseling agencies (Appendix B)
2.0	7/2020	6.8	Added Section Conflict of Interest
2.0	7/2020	7.0	Added Section Terms of Assistance
2.0	7/2020	7.2	Additional clarification was provided for Period of Affordability
2.0	10/2020	8.5.1	Introduced Home Warranty Option
2.0	10/2020	8.5.3	Removed Audit Inspection definition
2.0	7/2020	8.6	Removed verbiage that all purchase agreements **must** include addendum containing language that consummation is contingent upon completion and clearance of environmental review.
2.0	7/2020	9.0	Added Section Application Process
2.0	7/2020	9.3	Clarified verbiage from Required to Recommended
2.0	11/2020	9.6	Updated timeline to 5 days from 3 days… removed 3-day example.
2.0	7/2020	10.0	Added Section First Mortgage Loan
2.0	7/2020	10.1	Obtaining a Loan
2.0	7/2020	10.3	Added Participating Lender and Loan Officer

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2.0	7/2020	10.3.1	Added Lender Questionnaire
2.0	7/2020	10.3.2	Added Lender Training
2.0	7/2020	10.3.3	Added Terms of Participation
2.0	7/2020	10.3.4	Added Reason for Declination
2.0	7/2020	10.3.6	Lender's Total Fees
2.0	7/2020	10.4	Added Loan Term (1st Loan)
2.0	7/2020	10.5	Escrow Account
2.0	7/2020	11.0	DAP Credit Criteria & Secondary Underwriting Standards
2.0	7/2020	11.4	Added Calculating Assistance Amount
2.0	7/2020	11.4.1	Added further clarification of Loan Estimate and Loan Disclosure
2.0	7/2020	11.4.2	Added Housing Choice Voucher
2.0	7/2020	11.5	Added Eligible Settlement Expenses
2.0	7/2020	11.6	Added Ineligible Expenses
2.0	7/2020	11.7	Added Approval of the County Second Loan
2.0	7/2020	12.0	Added Loan Repayment and Terms
2.0	7/2020	12.2	Added Sale of Property during Affordability Period
2.0	7/2020	12.3	Added Refinance of First Loan
2.0	7/2020	12.4	Added Subordination
2.0	7/2020	12.5	Added Condition of Default
2.0	7/2020	12.7	Added Foreclosure
2.0	7/2020	13.0	Added Procedures for Exception/Special Circumstances
2.0	7/2020	14.0	Added Loan Monitoring Procedures
2.0	7/2020	15.0	Added Appraisal
2.0	7/2020	16.0	Added Marketing and Outreach
2.0	7/2020	17.0	Added Fair Housing
2.0	7/2020	18.0	Added Expanded definition for Predatory Lending Policy
2.0	7/2020	19.0	Revised and updated Forms
2.0	10/2020	End of doc	Added an Appendix

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			Change
2.0	12/2020	5.4.1	Provided further clarification of DAP Processing Timeline
2.0	12/2020	6.1	Updated verbiage to adhere to Guidelines
2.0	12/2020	6.1	Updated from Applicant(s)must have two (2) years continuous, satisfactory, and verifiable employment history with at least six (6) months with current employer to Applicant has been employed in the current job for at least six months (same line of work and field); and a two-year continuous work history using standard or alternative employment verification.
2.0	12/2020	6.1	Updated from Applicant (s) with a credit score between 580 – 639 may qualify for an FHA loan which requires a 10% down payment investment requirement to Applicant(s) with a credit score is between 580-639 and Lender approves borrower(s) for financing that requires 10% down, DAP program will allow down payment assistance award of 10% (not including closing costs and other incentives).
2.0	12/2020	6.1	Updated from Applicant(s) must invest at least $1000.00 toward the purchase of the property. This includes fees for earnest money deposits, credit report, real estate inspections credited or any additional cost to Applicant(s) must contribute at least $1000.00 toward the purchase of the property. This includes items such as earnest money, TREC Inspection and appraisal fees.
2.0	12/2020	7.7	Reworded from "The Homebuyer shall make a minimum cash contribution toward the down payment and closing costs of $1000 by the close of escrow. Items paid by the Homebuyer outside of escrow (such as the appraisal, property inspection or credit report) may not count towards this requirement. Eligible households must submit documentation to the Lender that funds are available for the down payment and any closing costs not covered by the HOME second loan prior to receiving approval for DAP." To provide clarification
2.0	12/2020	7.7	Inserted visual table for further explanation
2.0	12/2020	8.5.2	Updated from "An initial and final MPS inspection conducted by Harris County Inspector is required." To provide further clarity.
2.0	12/2020	8.5.4	Removed 100-year flood zones

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2.0	12/2020	9.0	Updated for clarification Program participants may apply for DAP assistance after they have been conditionally approved for a loan by a participating lender. Eligible applicants must have enough funds to meet the necessary closing costs, as well as necessary reserves and sufficient income to meet the monthly mortgage payments."
2.0	12/2020	9.3	Added for further clarification
2.0	12/2020	9.6	Updated to 5 business days
2.0	12/2020	9.10	Updated from "The Program Administrator presents each DAP loan application package to the HCCSD Underwriting Review Committee (URC) members who analyze loan application package in its entirety to confirm that applicant meets lender guidelines, DAP guidelines, eligibility, debt-to-income ratio requirements and general affordability parameters." for clarity
2.0	12/2020	9.12	Added checklist for clarity
2.0	12/2020	9.12	Added provide CSD grievance forms and HUD Fair Housing brochure
2.0	12/2020	9.13	Updated from 10-day turnaround
2.0	12/2020	9.14	Removed "Once closing day, date and time is set, the Title Company should submit balanced closing disclosure to the Program Administrator at least seventy-two (72) hours in advance of the scheduled closing date to allow PA to make arrangements for funding."
2.0	12/2020	12.4	Added for further clarification
2.0	12/2020	19.3	Added contract amendments section
2.0	12/2020	Appendix E	Added for clarification
2.0	12/2020	Appendix G	Added for additional details
2.0	2/2020	Appendix H	Results of Public Hearing (held Nov. 17/2020) Q&A

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1. INTRODUCTION

The Harris County Down Payment Assistance Program (DAP) was created by the Harris County Community Services Department (formerly named Community and Economic Development Department) in May 2002. This program is designed to utilize mortgage lenders and banks in the delivery of down payment assistance to low-to-moderate income homebuyers in Harris County.

This Guidebook is not meant to be a substitute for Federal regulations nor is it exhaustive regarding all consideration affecting the sources or usage of funds. DAP is governed by all statues and Notices associated with the Federal funding sources.

This Guidebook was prepared to provide an overview of the DAP as well as to provide information to participating lenders on the guidelines and requirements for participants of the program. While careful consideration has been exercised by the Harris County Program Administrator in the development of this Guidebook, consultation with staff is encouraged to ensure correct interpretation of policies and regulations.

Information included in this Guidebook is based on current available guidance from HUD and may change or be updated based on new laws or guidance which may be necessary to improve the administration of program implementation over time. If these policies and procedures are revised, or new ones implemented, this Guidebook shall be revised accordingly.

The primary goal of this program is to increase the homeownership rate in Harris County as well as meet the National Objectives of the federal funding sources that are used to provide this assistance.

Funding for this program is made available through Harris County's HOME Investment Partnerships (HOME) Program, Neighborhood Stabilization Program (NSP), Community Development Block Grant-entitlement (CDBG) and Community Development Block Grant - Disaster Recovery (CDBG-DR) Programs.

2. DISCLAIMER STATEMENT

The Director of Harris County Community Services may further amend and approve the DAP Procedures Guidebook in order to comply with applicable requirements of the United States Department of Housing and Urban Development (HUD) and other regulatory authorities and/or to ensure the efficient and proper administration of DAP, provided that, Commissioners Court approves. Exceptions may be made if approved by the HCCSD Executive Director or designee on a case by case basis. HCCSD will give a 30-day notice of any changes to the Down Payment Assistance Program Guidebook.

Subsidies are subject to availability on a first-come-first-serve basis. Acceptance of an application for Down Payment Assistance Program (DAP) funds in no way constitutes a commitment or obligation on the part of Harris County or the Harris County Community Services Department (HCCSD). No commitment is made or implied until a formal approval letter is issued by HCCSD Program Administrator. Due to funding limitations, no applicant should assume any commitment even when an applicant must expend personal funds to meet application requirements.

"No commitment is made or implied until a formal approval letter is issued by HCCSD Program Administrator."

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3. ACRONYMS AND DEFINITIONS

3.1 Frequently Used Acronyms

CDBG	Community Development Block Grant Program
CDBG-DR	Community Development Block Grant Program – Disaster Recovery
DAP	Down Payment Assistance Program
HCCSD	Harris County Community Services Department
HOME	HOME Investment Partnerships Program
HUD	U.S. Department of Housing and Urban Development
NSP	Neighborhood Stabilization Program
SFH	Single Family Home
TREC	Texas Real Estate Commission

3.2 Definitions

Automated Clearing House (ACH) - the automated clearing house (ACH) is an electronic funds-transfer system that facilitates payments.

Affordability Period - The period the homebuyer is required to own and occupy the property as his/her primary residence which is tied to the amount of assistance provided. The affordability terms can be found in the second lien deferred loan Deed of Trust.

Annual Income - The projected anticipated gross income from all sources for all adult family members during the next12-month period in accordance with 24 CFR § Part 5, Section 8 definition of annual (gross) income.

Appraisal - A licensed appraiser's independent assessment and opinion of a properties estimated fair market value (FMV) based on a physical inspection and based on comparable recent sales. The appraisal is performed by a HUD certified or licensed Texas Real Estate Commission professional appraiser. It is a written document that shows an opinion of how much a property is worth.

Area Median Income (AMI) - Area Median Income (AMI) is a metric calculated by the U.S. Department of Housing and Urban Development (HUD) to determine the income eligibility requirements for federal housing programs. The income limits are published annually by HUD for the County Metropolitan area, including areas serviced by the County that are subject to pay County property taxes.

Automated Underwriting System (AUS) - The Automated Underwriting System also referred to as AUS, is a technology driven underwriting process that analyzes a borrower's credit and income profile within seconds and renders a computer-generated loan decision.

Back-End Ratio - The back-end ratio, also known as the debt-to-income ratio, is a ratio that indicates what portion of a person's monthly income goes toward paying debts (i.e. credit cards, school loans, car payment, alimony, child support, etc.) based on a percentage of the gross monthly household income.

Borrower(s) - The person(s) that (i) has applied, met specific requirements, and received a monetary loan from a lender; (ii) is legally responsible for repayment of the loan and (iii) is subject to any penalties for not repaying the loan back based on the terms as described in the loan agreement, promissory note and/or deed of trust.

Buyer's Agent - A Buyer's Agent is a real estate professional who represents the buyer and only the buyer in the purchase of a home.

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Buyer Contribution - The amount the buyer(s) must contribute to the property acquisition transaction, either through earnest money, option fee money, or other related costs paid outside of closing.

Community Development Block Grant Disaster (CDBG) - An entitlement grant fund administered by the U.S. Department of Housing and Urban Development (HUD) to local agencies and municipalities to develop and enforce fair, affordable, safe and sanitary housing.

Community Development Block Grant Disaster (CDBG-DR) - CDBG-DR a **special appropriation intended to respond to Presidentially Declared Disasters**. In general, CDBG-DR follows the regular State CDBG program's legal and regulatory provisions.

Conventional Loan - Any mortgage loan that is not insured or guaranteed by the government such as under the Federal Housing Administration, Department of Veterans Affairs, or Department of Agriculture loan programs.

Closing - The appointment of the buyer, seller and lender, where property and funds legally change hands. This transfer of ownership process, whereby the property changes hands from the seller to the buyer, occurs after both parties fulfill a set of conditions. This transaction typically takes place at a title company.

Closing Costs - The cost associated with the acquisition of a real property, to ensure a legal and secure transfer from one owner to the next. These costs are paid in addition to the down payment on closing day. Closing costs are fees paid to the bank or third parties for services provided during the application and closing process. These fees vary, but typically range from 2-6% of the total amount of the loan.

Closing Disclosure - A five-page form that provides final details about the mortgage loan you have selected. It includes the loan terms, your projected monthly payments, and how much you will pay in fees and other costs to get your mortgage (closing costs). It replaces the final Truth-in-Lending Disclosure (TIL) and the HUD-1 Settlement Statement.

Conflict of Interest - Applicants who knowingly participate in the program and receive benefit, and who have immediate familial ties to HCCSD employees shall be referred to the County Attorney for further action. Harris County employees employed outside of HCCSD that have no direct involvement with the HCDAP are not considered subject to the Conflict of Interest policy.

Counseling Agency - HUD-approved agencies provide tools to current and prospective homeowners, and renters, so they can make responsible choices to address their housing needs.

DAP Amount – The HCCSD DAP provides for mortgage, down payment, prepaids, and closing cost assistance up to $23,800.00 in direct financial assistance to eligible applicants/homebuyers for Harris County sponsored projects.

Deed Restrictions - Applicant(s) must agree that the property shall be subject to an uninterrupted affordability restriction period where the property shall be occupied as a primary residence by its owner.

Default - When a borrower stops making payments on a mortgage loan or fails to comply with other requirements of the mortgage.

Deferred Payment Loan (DPL) - A loan whose principal and/or interest payments are postponed for a specific period provided the Borrower meets the terms and conditions of such loan.

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Dependents - Individuals under eighteen (18) and reside in the same household as the applicant(s). Adult dependents eighteen (18) years of age or older will be included if they are full or part-time students. Unborn children are not included. Examples of supporting documentation for dependents that may be required for the loan package include:

- Birth Certificates (for each dependent)
- U. S. Passport
- Legal documentation of adoption or guardianship
- Copy of current college class registration, if applicable

Desktop Underwriting System (DU) - Desktop Underwriting System (Fannie Mae) aka (AUS) or automated underwriting system. Provides lenders a comprehensive credit risk assessment that determines whether a loan meets Fannie Mae and Ginnie Mae eligibility requirements.

Displaced Owner/Tenant - A person that moves from real property or moves personal property from real property, permanently, as a direct result of acquisition, rehabilitation, or demolition for a project assisted with down payment assistance funds.

Down Payment - The amount of money paid upfront by the borrower toward the cost of the home to secure a mortgage. This amount is a percentage of the home's value and represents the difference between the sales price of a home and the loan amount. The minimum down payment requirement for

- an FHA loan is 3.5%
- a Conventional Fannie Mae or Freddie Mac loan is 5%

Duplication of Benefits - Subsidy layering also known as a duplication of benefits; occurs when a beneficiary receives assistance from a combination of governmental assistance sources.

Earnest Money - The deposit made by the borrower at the time the contract agreement is signed to buy a home to show good faith. The deposit is held by a third party, usually a title company and if the home sale is closed the earnest money is applied towards closing costs or down payment. If the contract is terminated for a permissible reason, the earnest money is returned to the buyer. If the buyer does not perform in good faith, the earnest money may be forfeited and paid out to the seller.

Escrow - An account that is set up by the mortgage lender to pay certain property-related expenses, like property taxes and homeowner's insurance.

FHA Mortgage Limit - The dollar amount used for qualifying mortgages that the Federal Housing Administration (FHA) will insure as part of its single-family home mortgage program. These limits are based upon location and they may be revised each year.

Fixed Rate Mortgage - A type of loan where the interest rate on the note remains the same through the term of the loan.

First-Time Homebuyer - A prospective homebuyer who has not owned a home in the last three (3) years; lost home due to a divorce and has custody of the children under the age of eighteen (18) and does not have liquid assets over $15,000; or has lost home due to extenuating circumstances such as fire, hurricane, etc.

Foreclosure - When the lender or servicer takes back the property after the homeowner fails to make mortgage payments.

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Forgiveness – Releases the obligation of 2nd lien.

Front-End Ratio - A ratio that indicates what portion of an individual's income is allocated to mortgage payments (includes principal, interest, taxes, homeowner(s) insurance and mortgage insurance) divided by Applicants(s) gross monthly income.

Governmental Assistance - Governmental assistance includes any loan, grant, deferred loan, guarantee, insurance, payment, rebate, subsidy, credit, tax benefit, or any other form of direct or indirect assistance from the Federal, State or local government for use in, or in connection with the operations of the Department.

Home Inspection - A visual examination of the readily accessible areas of a home by a certified professional to provide an accurate evaluation of the home's condition at the time of purchase.

HOME Investment Partnerships Program Funds (HOME) - The HOME Investment Partnerships Program (HOME) provides formula grants to States and localities that communities use - often in partnership with local nonprofit groups - to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low-income people.

Homebuyer - A prospective purchaser is one that must be low-income; that is, with an annual gross income that does not exceed eighty (80) percent of the median income for the area; and who must occupy the property as a principal residence for the affordability period as stated in the second lien deferred loan.

Homeowners Insurance - A type of property insurance that covers a private residence. It is an insurance policy that combines various personal insurance protections, which can include losses occurring to one's home, its contents, loss of use, or loss of other personal possessions of the homeowner, as well as liability insurance for accidents that may happen at the home or at the hands of the homeowner within the policy territory.

Household Income - The annual gross household income anticipated to be received during the coming 12-month period for all adults who will reside in the household. The annual gross income shall be determined by HUD's income eligibility calculator under the "Part 5" definition.

In addition to all wages and salaries, income includes overtime pay, commissions, fees, tips and bonuses, and all other compensation for personal services *before* payroll deductions.

Household income must include the following types of income and current supporting documentation:
- Child Support
- Alimony
- TANF
- Social Security (SSA)
- Disability / SSI

Household Size - Includes all persons who will be residing with the applicant(s) in the house.

Housing Counseling - The eight-hour (8) first-time homebuyer education course; from a HUD approved counselor the buyer(s) must complete as a pre-requisite for participation in the HCCSD Down Payment Assistance Program.

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Housing-to-Income Ratio - Portion of an individual's income allocated to mortgage payments.

HUD - United States Department of Housing and Urban Development

Interest Rate - The money paid to a lender in exchange for a loan, expressed as a percentage of the amount you've borrowed.

Lender - A lender a public or private group, or a financial institution that makes funds available to another with the expectation that the funds will be repaid. Repayment will include the payment of any interest or fees. In this document "Lender" is also used to mean Mortgage Banker/Mortgage Broker.

Loan Estimate (LE) - A three (3) page form that the borrower receives after applying for a mortgage. It helps the borrower understand important details about the full cost of the mortgage. It includes fees, estimated interest rate, monthly payment and total closing costs for the loan. LE must be given to the borrower within three business days after the loan application submission date. It can be used during the shopping process to do a side-by-side comparison between lenders.

Loan Officer - A loan officer is a representative of a bank, credit union, or other financial institution who assists borrowers in the application process. Loan officers must have a comprehensive knowledge of lending products, banking industry rules and regulations, and the required documentation for obtaining a loan.

Loan Originator - A mortgage originator is an institution or individual that works with a borrower to complete a home loan transaction. Mortgage originators are part of the primary mortgage market and must work with underwriters and loan processors from the application date until closing to gather the necessary documentation and guide the file through the approval process.

Liquid Asset - An asset that can be converted into cash in a short time, with little or no loss in value. Liquid assets include items such as (1) cash; (2) demand deposits; (3) time and savings deposits; and (4) investments (i.e. most stocks, money market instruments and government bonds not eligible for tax deferment).

LP - Loan Prospector underwriting system (Freddie Mac) aka (AUS) automated underwriting system. Provides lenders a comprehensive credit risk assessment that determines whether a loan meets Freddie Mac and Ginnie Mae's eligibility requirements.

Mortgage Banker - a company or individual that originates mortgages, using their own or borrowed funds. Mortgage bankers earn fees from loan originations, typically working in the loan department of a bank or financial institution.

Mortgage Broker - acts as an intermediary who brokers mortgage loans on behalf of individuals or businesses.

Mortgage Insurance Certificate - Insurance policy (called PMI or private mortgage insurance on conventional loans) written to protect the mortgage lender against loss incurred by a mortgage default, thus enabling the lender to lend at higher than an 80 percent loan to value.

NON-Income Affidavit - A document to certify and affirm that the borrower does not have any earned wages and/or any other source of income**.** This includes but is not limited to income from any of the following: Wages, salaries, tips or commissions, overtime, bonuses, or other compensation for personal

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Participating DAP Lender – Bank of Mortgage Company, selected to offer Harris County Down payment Assistance to First-time homebuyer through its loan product offering

Part 5 Annual Income - This form provides a format that can be used to assess assets and anticipated income and calculate Part 5 annual income in a HOME Program.

Payment Shock - Risk that a loan's scheduled future periodic payments may increase substantially and may cause the borrower to default on the loan.

Points or Discount Points - A point or discount point is 1% of the loan amount paid directly to the Lender at closing in exchange for a reduced interest rate.

Prepaids - Closing costs paid at time of settlement that is required to offset housing related expenses that occur in the future (i.e., taxes, insurance, upfront interest).

Pre-Qualification - The process of evaluating the creditworthiness of a potential borrower by a creditor to provide a pre-approval for a mortgage loan.

Private Mortgage Insurance (PMI) - A type of insurance policy that covers the lender in case a borrower stops making payments on a loan. PMI is usually required for conventional loans where borrower makes a down payment of less than 20 percent of the home's purchase price.

Program Administrator - Harris County Community Services Department (HCCSD) also known as Lending Staff.

Property Standards - Properties must meet all local codes, rehabilitation standards, and zoning or other ordinances. When there are no local codes, HUD requires that the property must meet and comply with local codes: The International Residential Code, 2. – 2012 Edition, Uniform Plumbing Code, Uniform Mechanical Code and International Energy Conservation Code, 2015. Homes within airport runway clear zones and flood zones will not be approved.

Ratio - This number is one-way lenders measure the borrower's ability to manage the monthly payments to repay the money the individual plans to borrow. All monthly debt payments are divided by gross monthly income.

Release of Lien - A release of lien will be issued at maturity of the affordability period or in the event of a loan payoff. The release of lien must be reviewed and approved by the Harris County Attorney's office and the HCCSD Executive Director.

Second Lien Deferred Loan - A lien that is placed against the property until the affordability period is matured or satisfied by the terms of the Deed of Trust. This lien is in second position to the mortgage lender's first lien placed against the property. This loan does not require repayment unless the affordability period is not satisfied

Seller's Agent - A real estate professional that represents the seller, also known as a Listing Agent.

Service Area - The home you buy must be in an unincorporated area of Harris County, which includes these zip codes and service area, and cannot be located in the City of Houston, Baytown, or Pasadena, since these cities have their own programs

Single Family Home Inspection - Property inspection performed by the Harris County Housing Construction and Inspections staff.

Subsidy Layering - Subsidy layering is to evaluate and ensure that the level of HOME investment does not exceed the amount that is necessary to provide quality affordable housing that is financially viable.

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Subsidy Layering Analysis - An evaluation to demonstrate that the project will not use more HOME funding than necessary to provide affordable housing. The process consists of four major components, some requiring documentation and others requiring analysis and review of project details determine the need for an investment of federal funds or the leveraged used of such funds.

Temporarily Absent Family Member

- Incarcerated for a short time and will return to household
- Seasonal workers who will return
- Active military members who will return to household
- Students temporarily away at school

Title - The evidence of a legal right to possession or ownership of property

TREC Inspection - Inspection performed on a structure conducted by a licensed inspector subject to the rules ("Rules") of the Texas Real Estate Commission (TREC).

Underwriter - The person responsible for evaluating a loan file to make sure it meets the guidelines of the loan program. Upon review of the loan file, an underwriter may request additional information needed in order to decide, approve the loan, or decline the application.

Underwriting - The process of analyzing standard loan documents to determine whether a borrower qualifies for a specific mortgage loan program and render a decision of approval or denial of loan. The process used by HCCSD, in ensuring allow ability, compliance, and adherence to cost principles associated with the investment of federal funds by the department in construction and acquisition projects. Underwriting, for the purpose of this procedure is meant to include numerous evaluation activities, including more specific procedures such as Application review, Environmental reviews, Subsidy Layering Analysis, and completion of the HOME Investment Partnership Program Multi-Family Underwriting templates and HCCSD's overall evaluation of each projects.

Unfair Lending Practice - Is the practice or unscrupulous actions by a Lender to entice and/or assist the borrower in taking a mortgage loan not affordable, sustainable and terms not appropriate.

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4. PURPOSE & PROGRAM SCOPE

The primary goal of this program is to increase the homeownership rate in Harris County as well as meet the National Objectives of the federal funding sources that are used to provide this assistance. Harris County will build a more dynamic, vibrant, and resilient community while being inclusive, equitable and transparent in all that we do.

Harris County will increase access to, incentivize, and invest in quality, affordable, and flood resilient housing that is widely accessible throughout the county, build safe and healthy neighborhoods, facilitate economic opportunity, and provide access to recreational green spaces for all residents.

Funding for this program is made available through Harris County's HOME Investment Partnerships (HOME) Program, Neighborhood Stabilization Program (NSP) and Community Development Block Grant - Disaster Recovery (CDBG-DR) Program.

DAP is available to each eligible household for down payment assistance, price reduction, and reasonable and customary closing costs incurred in the purchase of property located within the unincorporated areas of Harris County.

Program assistance is provided in the form of a five or ten year, forgivable, zero annual interest rate loan (soft second mortgage) which is secured by a Deed of Trust, Loan Agreement, and Promissory Note subordinate to those of the primary lender.

If the Homebuyer meets all Program requirements, the loan will be forgiven after five years. The property must be the Homebuyer's principal-place of residence throughout the five-year term of the affordability period. The loan becomes immediately due and payable in full if the terms of the affordability period are breached. Homebuyers are required to repay loan funds in full during the first five years of their loan if they vacate, sell, transfer or assign any legal or equitable interest in the property at any time on or after the execution date of this loan, which amount shall be immediately due and payable in full. Loan amounts are not forgiven at a pro-rated amount.

Program funds cannot be provided to a Homebuyer who is refinancing an existing mortgage or land contract or purchasing a home on a land contract. Program funds can be used in combination with other down payment incentives, such as government subsidies, church assistance, employer assisted programs, as well as Individual Development Accounts (IDAs).

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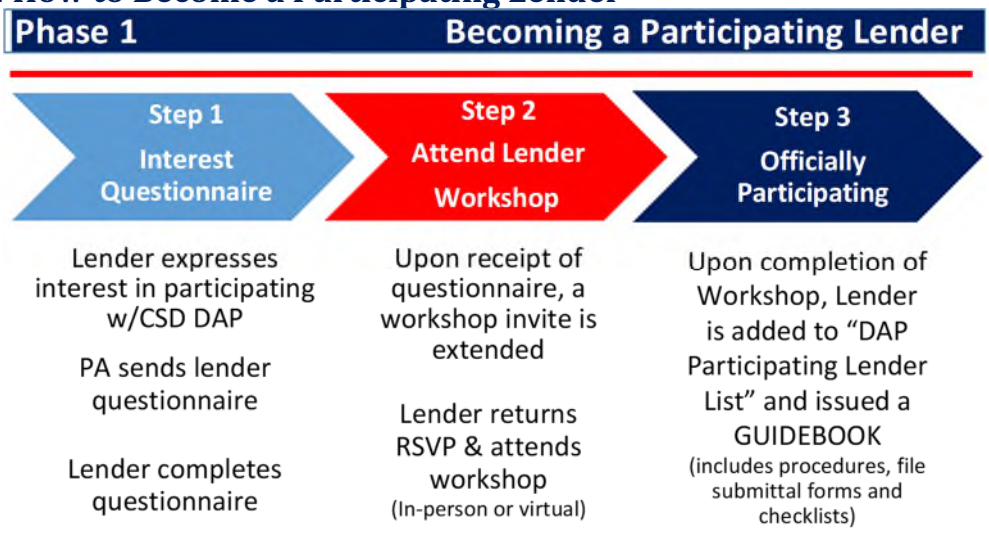
5. PROGRAM OVERVIEW

5.1 General Information

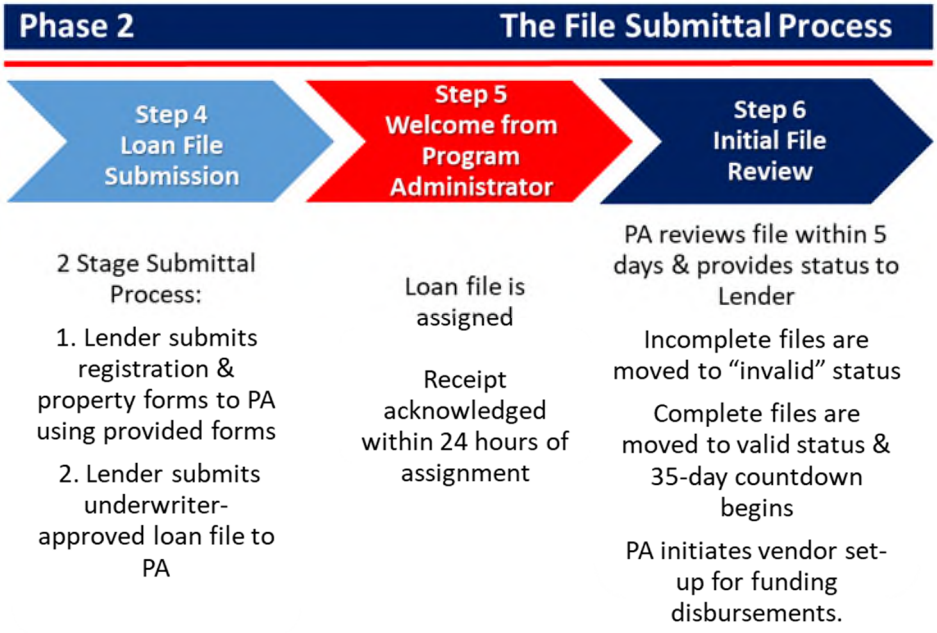
HCCSD's DAP assistance is only available to prospective homebuyers who submit loans through participating lenders.

- If a prospective homebuyer requests to apply for down payment assistance without Lender representation, the Program Administrator will offer the prospective homebuyer a list of participating professionals to choose from. HCCSD will not direct a prospective homebuyer to any one Lender and does not endorse any specific lender.
- If the prospective homebuyer enters the program with a Lender who is not a participating entity, then the Lender is required to attend a DAP training session.

5.2 How to Become a Participating Lender



5.3 The Loan Application Package Submittal Process



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The Loan Application Package may be delivered electronically to the Program Administrator by emailing directly to the designated email address. The documents being emailed should be in the order of the checklist: typed, complete, accurate, e-signed or signed and date stamped. Do not send Loan Application Package to a specific staff person, as Loan Application Packages, once received and date stamped are assigned for processing by the Manager.

Originals may be mailed to or dropped off at Harris County CSD
Attn: Lending Services Program Administrator
8410 Lantern Point Drive Houston, Texas 77054

5.4 Overview of DAP Loan Application Package Submittal Stages & Checklist

Below are the 4 stages in which documents are required to be submitted by a Participating Lender to DAP Program Administrator for DAP loan analysis and processing. The 4 stages are as follows:

1. Registration & Property Eligibility Submission (see left side docs)
2. Applicant Eligibility Submission (see right side docs)
3. Conditional Approval Submission
4. Final Approval Submission

5.4.1 Initial DAP Loan Application File Submission

In addition to a Lender approved loan file, A valid file is defined as a completely processed, approved by the participating lender and contains all required documents that support the lenders approval and includes all required DAP documents identified in the Loan File Submittal Checklist. Documents must be valid, legible, accurately and completely filled out and executed by all applicable parties. Application will not move to processing until Program Administrator has a valid file. The DAP processing timeline allotted to secure approval and disburse federal funds may take up to 35 days, provided there are no external delays. Please note that the 35 days is measured from the time Lender submits a completely processed and approved file. In an effort to decrease DAP processing timeline, Program Administrator will no longer begin processing incomplete lender DAP loan application packages.

The following documents are required at the Initial DAP Loan Application submission:

**Electronic Signatures Acceptable*

1. Registration & Property - Documents to be included on Left Side of Loan File

☐Registration Form
☐ Lender Intent Letter*
☐ Lender Affidavit*
☐ Affidavit of Selling Parties
☐ Notice to Real Property Owner/Seller
☐ Borrower's Signature Authorization
☐ Single Family Home (SFH) Inspection Request Form
☐ State-licensed TREC Inspection Report

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2. Applicant Eligibility Submission - Documents to be included on Right Side of Loan File

☐ Homeownership Education Certificate
☐ Final Household Budget from Homeownership Education Class (signed by counselor)
☐ Valid Texas ID's, Social Security Cards, & Proof of Citizenship for all household members
☐ FHA Loan: FHA Loan Underwriting & Transmittal Summary (HUD 92900-LT)
☐ Conv. Loan: Uniform Underwriting Transmittal Summary (Form 1008)
☐ DU/LP AUS Findings
☐ Loan Estimate from Lender (include signed disclosures)
☐ Uniform Residential Loan Application (Form 1003) – final typed application
☐ Copy of Credit Report for all Applicant(s) - including NPS
☐ Verification of Employment for all adult members
☐ Last two (2) months of paycheck stubs
☐ Federal Tax Returns and W-2's for last two (2) years and all Schedules or Transcripts.
☐ If W-9, YTD P&L statement prepared by CPA or tax preparer
☐ Section 8 Voucher plus Affordability Worksheet or Homeownership Assistance Verification, if applicable
☐ 401K, IRA's, pensions, Child Support Income Verification from OAG website, etc.
☐ The last two (2) months of recent bank statements
☐ Verification of Rent
☐ Copy of Fully Executed 1-4 Residential Purchase Agreement with all addenda, earnest money & option fee checks)
☐ Amendments (EX: closing date, 3rd party financing, repairs, etc.)
☐ Title Company Contact Information
☐ Title commitment (Schedules A, B, and C)
☐ Clearance for SAM and OFAC on Lender's Letterhead
☐ Current Property Appraisal
☐ Flood Determination Form (FEMA Form 086-0-32)

5.4.2 Underwriting Review Committee (URC) File Submission

URC results (approved, denied, additional info required[1]) will be communicated to DAP Participating Lender within 72 hours.

All documents listed above are required to be submitted by 5:00 p.m. Friday to be placed on the URC docket for the following week.[2]

3. DAP Conditional Approval File Submission

Documents below are required for DAP Conditional Approval:

☐ Other docs as required

[1] 35-day closing allows for multiple URC reviews prior to closing date
[2] Extenuating circumstances could dictate a DAP loan application package be moved to the following weeks URC docket

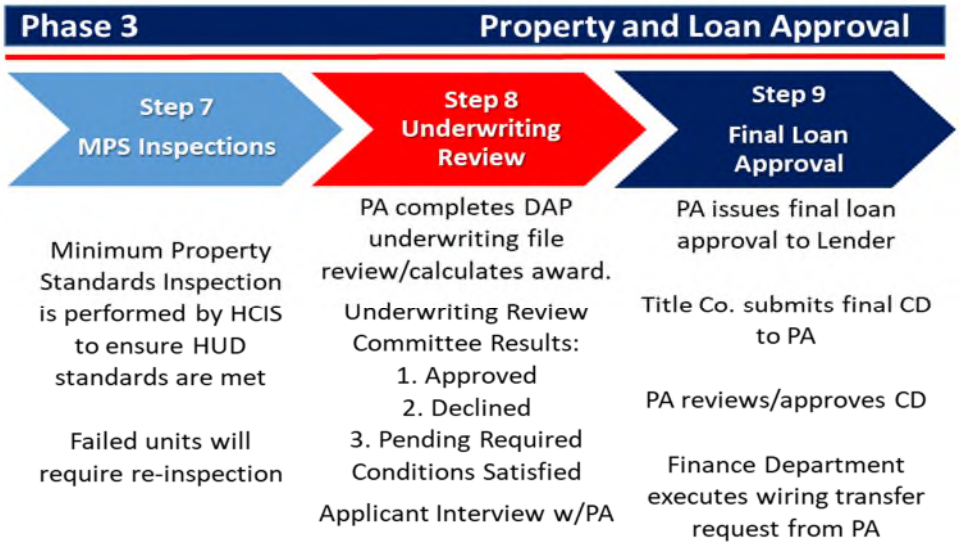
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4. DAP Final Approval File Submission

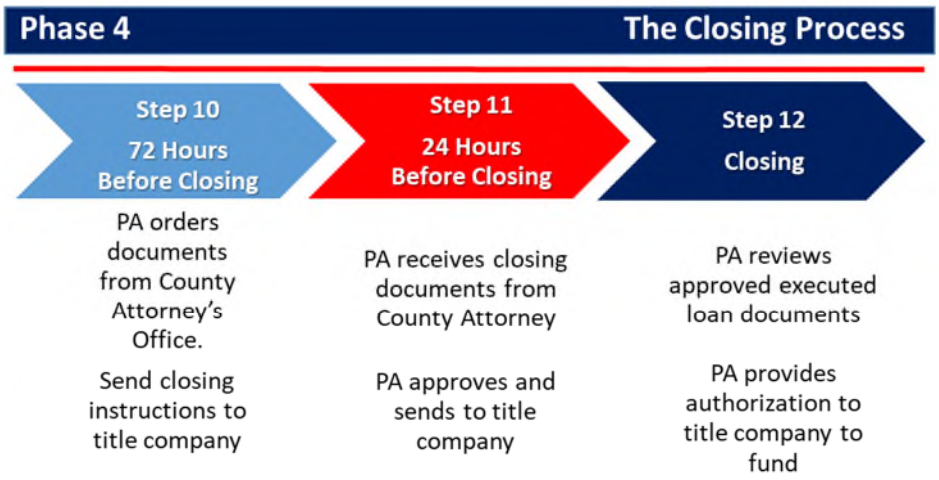
Documents below are required for DAP Final Approval:

- ☐ Repair Disbursement Form with receipts, if applicable
- ☐ Mortgage Insurance certification (if applicable)
- ☐ Compliance Inspection Report (Form HUD-92051) [new construction only]
- ☐ Builder's Certification (Form HUD-92541) [new construction only]
- ☐ Energy Star Certificate/HERS [new construction only]
- ☐ Balanced Closing Disclosure
- ☐ Final 92900
- ☐ Final 1008
- ☐ DU/LP AUS Findings

5.5 Property and Loan Approval



5.6 The Loan Closing Process



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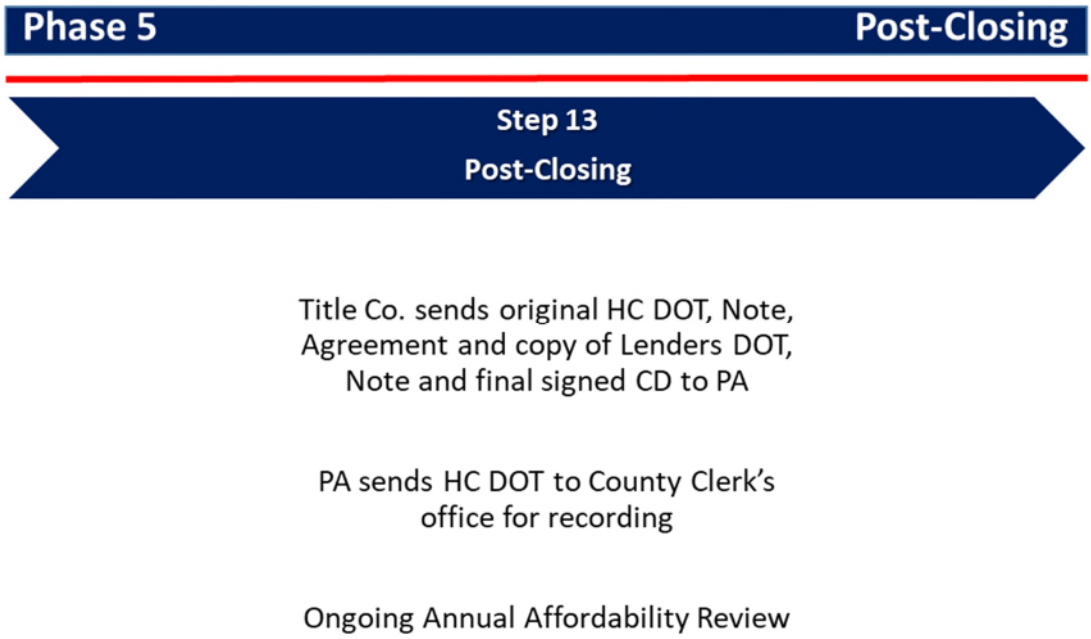
5.6.1 The Closing Date

The closing date is the anticipated date that all loan originators, processors, underwriters and various other operational partners work towards for each loan, however, the closing date is not set in stone. There may be several factors throughout the process that impact, change, lessen or extend the date that the actual closing and/or actual funding occurs.

5.7 Post-Closing

After the transaction has closed and funded, there are activities that continue to take place related to the transaction.

- If Applicable, The HUD Form 92544, Warranty of Completion, signed by the builder and homebuyer is sent to the Program Administrator by the Lender.



Program Administrator records the Harris County Deed of Trust at the County Clerk's Office. HC DOT is not recorded by the closing Title company.

6. ELIGIBLE APPLICANTS

To be considered eligible, the prospective homebuyer must meet the following requirements.

6.1 Eligibility Requirements Checklist

- ✓ Applicant(s) must be conditionally approved for a conforming fixed rate Conventional, FHA, or VA mortgage loan from a participating Lender prior to applying for DAP assistance.
- ✓ Applicant(s) must be a first-time homebuyer
- ✓ Applicant(s) may not own another home or property[3]
- ✓ Applicant(s) total annual gross household income cannot exceed 80% AMI.
- ✓ Applicant has been employed in the current job for at least six months (same line of work and field); and a two-year continuous work history using standard or alternative employment verification.[4].
- ✓ Applicant(s) must provide two (2) years of tax returns or if W-9, provide YTD P & L from CPA or

[3] Exception must be approved by Director

[4] Exception may be allowed on a case-by-case basis.

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tax preparer.

- ✓ Applicant(s) with a credit score is between 580-639 and Lender approves borrower(s) for financing that requires 10% down, DAP program will allow down payment assistance award of 10% (not including closing costs and other incentives).
- ✓ Applicant(s) must successfully complete 8 hours of homeownership education course from a HUD Certified counseling agency & by a HUD Certified Counselor.
- ✓ Applicant(s) must contribute at least $1000.00 toward the purchase of the property. This includes items such as earnest money, TREC Inspection and appraisal fees.
- ✓ Applicant(s) must agree to maintain the home as their primary place of residence for the full affordability period. If affordability period is not satisfied, the full amount of assistance is to be repaid in full to HCCSD.
- ✓ Applicant(s) may not have liquid assets in excess of $15,000.00. IRA's and 401K's (retirement accounts) are subject to a (.06%) imputed income from assets.
- ✓ Applicant(s) deposits over $100.00 and recurring deposits must be sourced and documented. Unsourced deposits may result in assets being considered as income per program requirements.

Applicant must meet Lender's underwriting requirements and be approved for a mortgage loan prior to application for DAP assistance.

6.2 Definition of a First-Time Homebuyer

Applicant(s) must be a first-time homebuyer or have lost their previous home in extenuating circumstances such as a loss due to a fire, flood, or hurricane. "**First-time homebuyer**" is an individual and his or her spouse who have not owned a home during the three years before the purchase of a home with subsidy assistance, except that the following individual or individuals may not be excluded from consideration as a first-time homebuyer under this definition:

- A displaced homemaker, while a homemaker, owned a home with his or her spouse or resided in a home owned by the spouse. A displaced homemaker is an adult who has not, in the preceding two years, worked on a full-time basis as a member of the labor force for a consecutive 12 month period and who has been unemployed or underemployed, experienced difficulty in obtaining or upgrading employment and worked primarily without remuneration to care for his or her home and family;
- A single parent who, while married, owned a home with his or her spouse or resided in a home owned by the spouse. A single parent is an individual who is unmarried or legally separated from a spouse and has one or more minor children for whom the individual has custody or joint custody or is pregnant; and

- An individual or individuals who owns or owned, as a principal residence during the three-year period before the purchase of a home with assistance from the Down payment Assistance Program, a dwelling unit whose structure is:
  - (1) Not permanently affixed to a permanent foundation in accordance with local or state regulations; or,
  - (2) Not in compliance with state, local or model building codes and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure.

If applicants are married, both must execute Harris County documents.

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6.3 Income Limits

The prospective homebuyer's total household income must be within the U.S. Department of Housing & Urban Development's (HUD) Area Median Income Limits for the Houston/Woodlands/Sugar Land Metropolitan Statistical Area (MSA).

Under the HOME Program, the total annual household income cannot exceed eighty percent (80%) of the area median income, adjusted for family size. The income chart (see Appendix A), published by HUD annually and effective July 1, 2020 represents the Harris County service area median income for the family sizes shown.

6.4 Income Determination

HCCSD determines income eligibility based on HUD's definition of annual gross income using ~~Section 8~~ the Part 5 (24 CFR§5.609) definition found in HUD's "Technical Guide for Determining Income and Allowances for the Home Program" ("Technical Guide"). Projected annual household income is used to determine whether an applicant is above or below published low-income limits. See Appendix C for link to Technical Guide.

Projected annual household income will be used to determine whether an applicant is above or below published low-income limits. It shall be assumed that the current income circumstances will continue for the next twelve months. Household income must be greater than the total overall household debt: recurring expenses, monthly expenses, as well as short and long-term obligations, in order to sustain homeownership. Income qualification criteria, as indicated in the most recent HOME program guidance, will be followed to independently determine and certify annual gross income of the household. All persons and residents are considered household members for purposes of income eligibility (see the Technical Guide for additional guidance on determining household size).

Income calculated by the participating lender may be different from the household income calculated under the guidelines of this program.

Lender must collect appropriate income documentation, calculate the applicant's household income based upon documentation, and then compare the amount of projected income against current income limits in order to determine eligibility.

Program Administrator will verify Income by reviewing the following:

- Verifications of employment sent to employers
- Third party verifications of other sources of income (EX: HCV, SSI and disability award letter and annual certification)
- Federal income tax returns for the past two (2) years
- Copies of most recent year-to-date wage receipts or salary earnings statements for the past two (2) months
- Subsidy checks
- Documentation of assets such as checking, savings, investments

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All documentation must be dated within six months prior to loan closing date.

Re-qualification prior to closing is required under the following circumstances:

- Material changes to household size

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- Material changes to income
- Six-month expiration of initial qualification

6.5 Income Requirements

Use the following income guidelines to determine income qualifications. Prospective homebuyer(s) combined annual gross household income must be *at* or *below* the amounts in the HUD AMI income chart to qualify for DAP funds.

- Dependents who will not be living in the house being purchased may not be counted toward family size.
- Earnings from temporary absent household members must be included in income qualifying process.
- Adult dependents must have supporting documentation.

6.6 Homebuyer Education

All prospective homebuyer(s) are required to successfully complete an 8-hour homeownership education course provided by a HUD Certified Housing Counseling Agency and performed by a Certified Counselor before applying for DAP assistance.[5]

A copy of the course Certificate of Completion is required as proof of attendance and is to be submitted by participating lender at the time of the initial DAP application submittal.

Attendance must have been completed within the past 12 months prior to closing. If more than 12 months has passed since the homebuyer attended the course, the homebuyer must take the course again.

Prospective homebuyer must complete a final household budget printed on the letterhead of the approved HUD Education Provider and is to be submitted by participating lender at the time of the initial DAP application submittal. The budget must include monthly recurring expenses and must be signed and dated by the prospective homebuyer and the HUD certified housing counselor. See Appendix B for a link to the list of HUD-Approved housing counseling agencies in the Houston area.

6.7 Legal Residency Status

All adult household members must be a US citizen or permanent resident alien. Acceptable forms of supporting documentation include: Birth Certificate, US Passport, Permanent Resident Card. Supporting documentation is required. Work permits are not acceptable.

6.8 Conflict of Interest

In accordance with 24 CFR 84.42, 24 CFR 92.356 and 24 CFR 570.611, no persons who exercise or have exercised any functions or responsibilities with respect to activities assisted with HOME funds or who are in a position to participate in a decision making process or gain inside information with regard to these activities, may obtain a financial interest or benefit from a HOME -assisted activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds there

[5] Counseling services may take place in the office of the housing counseling agency, at an alternate location (for example, the client's home), or through an alternative format, if the alternative format or location is mutually acceptable to the housing counselor and client. Alternative formats can include telephonic counseling or remote counseling systems designed using digital technology, video cameras, or the internet. Skype technology systems can also be used to deliver group education and workshop sessions. However, all participating agencies that provide services directly must offer and provide in-person counseling to clients that prefer this format.

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under, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter. The conflict of interest provisions apply to any person who is an employee, agent, consultant, officer, or elected official, appointed official, or any person who exercises policy or decision making responsibilities (including members of the Board or loan committee) of the participating jurisdiction, State recipient, or Subrecipient which are receiving HOME funds. Exceptions to this policy can be made only after public disclosure and formal approval by the Harris County Commissioners Court.

7.0 TERMS OF ASSISTANCE

7.1 Maximum Loan Amount

The maximum amount of homebuyer assistance per household may not exceed $23,800.00. The level of DAP assistance, which is determined during the program administrator underwriting review process may result in an award of up to $23,800.00. DAP assistance is determined and awarded based on "need".

DAP assistance acts as a "silent" second mortgage in order to provide gap financing toward the purchase of a home. The Homebuyer shall receive only the amount of assistance needed to achieve affordable home ownership.

7.2 Period of Affordability

The period of affordability for all DAP awards is:

$0 - $14,999.00 - 5 years
$15,000.00 – $23,800.00 - 10 years

7.3 Eligible Uses

DAP funds may be used for the following:

- Lenders required down payment determined based on need of prospective buyer
- Buyers closing costs (customary and reasonable)
- Flood Insurance Policy - 1-year coverage with a maximum policy amount not to exceed $500.00
- Home Warranty: Pre-Existing Homes: Three (3) Years of Home Warranty coverage. Maximum of $500.00 per year.
- New Construction: Two (2) Years of Home Warranty coverage if the 2-10 Builder Warranty is not offered. Maximum of $500.00 per year.

7.4 Ineligible Uses

DAP funds may not be used to pay any of the following:

- any portion of a real estate agent's fees
- pay delinquent taxes
- pay fees or charges on property which are the responsibility of the seller
- pay for repairs to the property which are the responsibility of the seller

7.5 Recapture

The conformability period shall be enforced through a Deed of Trust, Promissory Note and Homebuyer Deferred Loan Agreement. Recapture on sale and foreclosure provisions terminate the affordability period.

The homeowner is required to repay the direct assistance provided, in full, if any one of the following occurs during the period of affordability:

- The purchased home under this program does not continue to be the principal residence of the homebuyer.
- The homeowner has breached the terms of the program agreement

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• The homeowner refinances before the affordability period ends
• Death of the last surviving homebuyer, during the period of affordability, unless the property is transferred to the homeowner's heir(s), provided the heir(s) meet the income qualifications, and agree in writing to all of the terms of the Agreement and Deed
• The loan will be in default if the borrower fails to maintain required property hazard insurance or fails to pay property taxes

7.6 Net Proceeds

When there is a sale of the property (voluntary or involuntary) during the period of affordability, the recaptured amount is limited to net proceeds if any. The net proceeds are the sales price minus the superior loan repayment and any closing costs. If there are not enough net proceeds upon sale to repay the entire amount of DAP subsidy that is subject to recapture, the Homebuyer is not required to pay any such amount not available from the sale out of pocket. Once the sale has occurred and funds recaptured, the affordability period terminates, and Program requirements no longer apply to the property.

7.7 Homebuyer Contribution

Eligible households must submit documentation to the Lender that funds are available for the down payment and any closing costs not covered by the HOME second loan prior to receiving approval for DAP. The Homebuyer shall make a contribution of $1000 towards the down payment and closing costs by the close of escrow. This includes items such as earnest money, TREC Inspection and appraisal fees. Additional down payment/closing cost subsidies available to the Homebuyer such as gifts from relatives, seller-paid closing costs, employer assistance, other government subsidies, church assistance, etc. are allowed if they do not exceed the first mortgage lender's asset cap[6].

TABLE 1: COMPONENTS OF BUYER INVESTMENT

	Flat Fee Ex. 1: Builder Earnest Money	Flat Fee Ex 2: Builder Earnest Money	1% of $160,000 Low end of Sales price range	1% of $238,000 High end of Sales price range
1. Earnest money	$99	$500	$1600	$2380
2. TREC Inspection	$375	$375	$375	$500
3. Appraisal	$375	$375	$375	$500
Total Buyer Investment	$849 *	$1,250	$2,350	$3,380

*Exception may be granted on a case-by-case basis.

7.7.1 FHA Down Payment Requirements

Homebuyer(s) required down payment for FHA loans is set by HUD program guidelines.

7.7.2 Conventional Down Payment Requirements

Homebuyer(s) required down payment for Conventional loans is set by Fannie Mae and Freddie Mac program guidelines.

[6] Exception may be allowed on a case-by-case basis.

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7.8 Guarantors

The Homebuyer must meet credit and underwriting criteria established by the first mortgage Lender and must be able to obtain a fixed rate first mortgage product based on credit history. The Program may allow for co-signors that will not be owner-occupants of the house being purchased. Income and assets of co-signer will be required in eligibility determination.

7.9 Homeowner Tax and Insurance Requirements

The Homebuyer shall agree to have the taxes and homeowner's insurance escrowed as part of the first mortgage. Property hazard insurance must be maintained throughout the affordability period in an amount enough to cover replacement of the structure. Proof of insurance may be requested of the Homebuyer by the HCCSD at any time throughout the affordability period.

Harris County shall be listed as a Mortgagee
on all property hazard insurance policies with usual loss payable to Mortgagee.

7.10 Closing Documents

The following documents must be signed at the time of loan closing.

- Homebuyer Deferred Loan Agreement
- Deed of Trust
- Promissory Note
- Additional documents may be required

The Deed of Trust and Deferred Loan Agreement must also be recorded with the Harris County Recorder's office to secure the assistance provided.

8.0 Property Eligibility

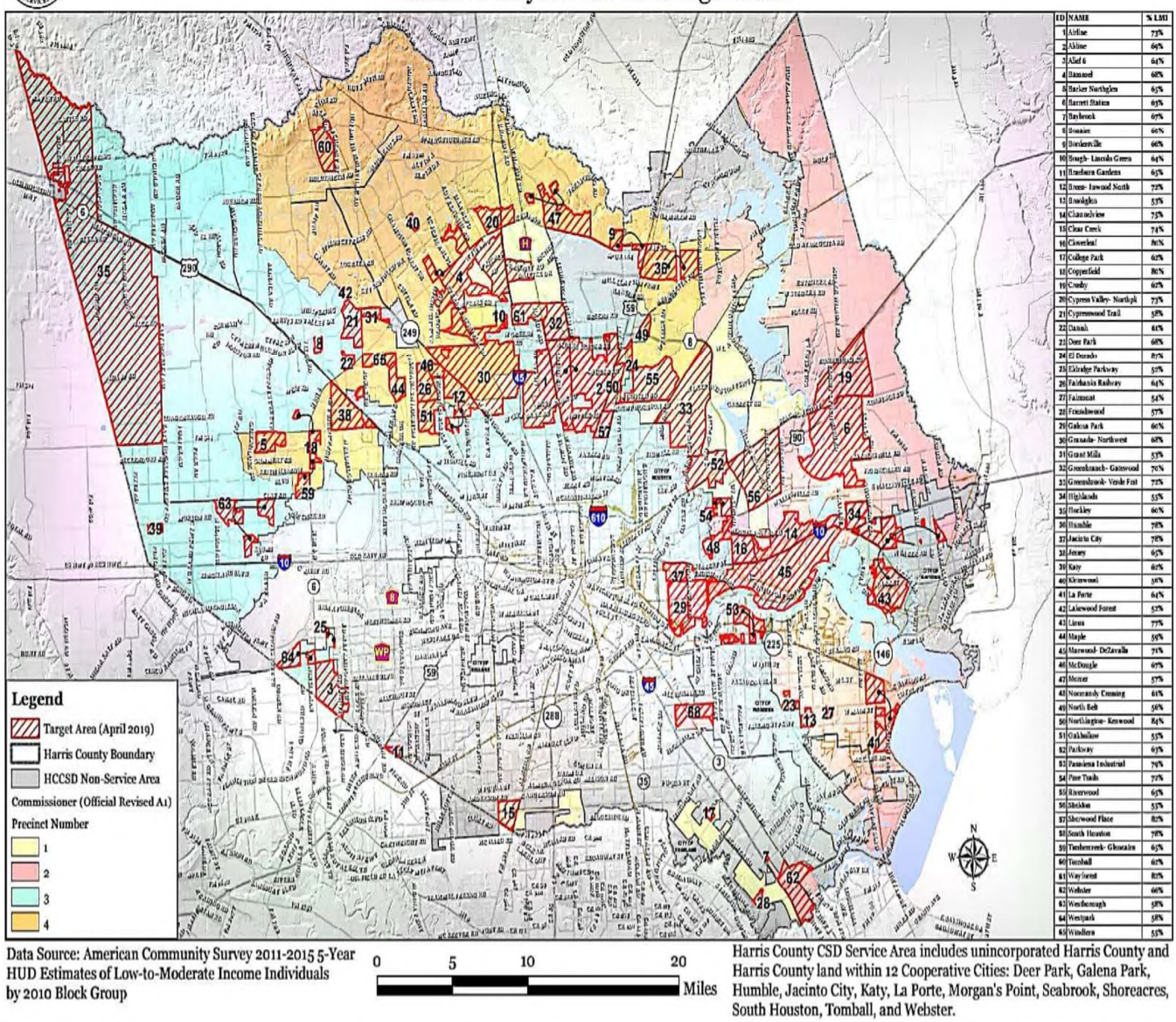
All properties receiving DAP funds must meet property conditions as set forth by HUD and HCCSD. Each property must undergo inspections using the forms and procedures required by HUD and/or HCCSD.

8.1 Location

Properties must be located within unincorporated areas of Harris County or in one of the twelve (12) cooperative cities (see table below). Properties located within the cities of Houston, Pasadena, and Baytown are not eligible for assistance. (See Harris County Service and Target Area Map below).

Deer Park	Galena Park	Humble	Jacinto City
Katy	La Porte	Morgan's Point	Seabrook
Shore Acres	South Houston	Tomball	Webster

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8.2 Maximum Purchase Price

- For pre-existing homes, the maximum purchase price is $200,000.
- For new construction homes the maximum purchase price is $238,000.

The maximum purchase price for any property assisted with HOME/NSP/CDBG funds may not exceed current market value of the property as determined by an appraisal. The appraisal used to determine current fair market value for any home assisted with HOME/NSP/CDBG funds must be in accordance with the appraisal requirements of URA at 49 CFR 24.103 and must be dated within 60 days of the final offer.

8.3 Unit Characteristics

Structure Type

Properties must be either pre-existing housing or new construction and may take the form of a single-family dwelling unit, condominium, or townhouse. (See Appendix E for the HCCSD Minimum Acceptable Standards for Residential Acquisition of New Home or Minimum Acceptable Standards for Residential Acquisition of Pre-Existing Home.)

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8.4 Lead-Based Paint

Homes built pre-1978 are eligible to participate in the Harris County CSD DAP program upon confirmation that Lead-Based Paint (LBP) is not present inside or outside the home.

8.4.1 Risk Assessment

A lead hazard risk assessment must be performed by a certified lead risk assessor/firm to identify paint that contains lead above allowable levels. This risk assessment identifies housing conditions called lead-based paint hazards that could result in harm to residents, workers, and especially young children. This report can help owners to develop a plan for eliminating any lead-based paint hazards that are found.

The risk assessment will have one of the following outcomes:

1. **Home Tests Negative**

   If the home tests negative for lead, the DAP loan application package may be submitted to the DAP Program Administrator for processing.

2. **Home Tests Positive**

   If the home tests positive for lead, the DAP loan application package may not be submitted to the DAP Program Administrator for processing until the home is abated, re-inspected and cleared. Lenders may not submit a DAP loan application package until all phases of LBP testing, abatement, and clearance process have been completed.

8.4.2 Abatement & Clearance

If lead-based paint was confirmed to be present inside or outside the home, abatement will be deemed necessary. After the project has been abated, a LBP reinspection is required along with a clearance report. The LBP reinspection and the LBP clearance will not be paid for nor reimbursed by Harris County DAP funds.

8.4.3 Costs Associated with LBP Testing and Abatement

The testing and abatement costs associated with detection or removal of lead-based paint is an expense that will not be paid for upfront nor reimbursed to the buyer or seller with Harris County DAP funds.

- The buyer and/or seller will be responsible for paying for the lead hazard risk assessment. Neither the buyer or seller will be given a credit at closing for this out-of-pocket expenditure or be refunded any amount related to this process.

- The seller will be responsible for paying for the abatement and clearance report. Buyers may not pay for any repairs to a sellers' property. DAP funds may not be disbursed on homes that have been abated without a clearance report.

8.5 HCCSD Inspections

All properties receiving DAP funds must undergo an inspection performed by HCCSD, using the forms and procedures required by HUD; must meet property conditions as set forth by HUD and HCCSD; and must pass the HCCSD inspection (final) before funding is released. The type of inspection is determined by the type of home, either pre-owned or new construction. In addition, the client(s) will be required to sign a "Notice Concerning Minimum Property Standard Inspection" (MPS) form which releases HCCSD from all liability for existing or future deficiencies.

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8.5.1 Pre-Existing Homes

A TREC inspection is required to be performed by a Texas Real Estate Commission licensed inspector on all pre-owned homes. This inspection will provide the Homebuyer with more detailed information about the overall condition of the home including:

- Physical condition, structure, construction and mechanical systems
- Items that need to be repaired or replaced
- Estimate age of major systems, equipment, structure and finishes

In addition, an MPS inspection, performed by a Harris County inspector is also required. The Harris County inspector will determine whether the residence meets local building and health and safety standards that may exist based on "Harris County's Policy and Procedures for Minimum Acceptable Property Standards for Pre-Existing Single-Family Housing". As a result of the inspection, seller will be required to correct any deficiencies in order to meet local building and health and safety standards. Household appliances, mechanical systems and other household components with a remaining useful life of less than 5 years must be replaced with Energy Star labeled products[7]. In some instances, a home warranty may be used to meet the "useful life" requirements.

If the remaining useful life is less than five (5) years, HCCSD may allow a home warranty to be purchased in order to satisfy HUD's useful life requirement.

Home Warranty Option for Useful Life Expectancy

Seller has the option to provide any additional home warranty coverage needed to satisfy the 5-year useful life requirement in addition to the Home Warranty coverage provided by HCCSD. HVAC systems must be certified as functioning by a licensed/certified technician. Also, other items within the useful period must be certified as functioning at the time of TREC inspection and inspection must be paid by seller. Home warranty option is subject to buyer acceptance as evidenced by signed acknowledgement. If appliance exceeds useful life requirement, replacement is required.

Termite Inspection:

It is the responsibility of the buyer to obtain a termite inspection for all pre-existing properties.

8.5.2 New Construction Homes

A MPS inspection conducted by CSD is required. CSD performs an MPS inspection after builder confirms completion of construction and home is ready to be inspected. If deficiencies are found a re-inspection is required to ensure all deficiencies are satisfied. The Compliance Inspection Report for new construction loans is to be provided to the program administrator if applicable. (See Appendix E for the Housing Quality Standards (HQS) FAQ and checklist)

8.5.3 Inspection Fees

The homebuyer should negotiate the fees for the initial and final state licensed TREC Inspection directly with the inspector. Neither HCCSD nor Harris County controls the amount or method of payment.

8.5.4 Commonly FAILED inspection items

[7] HUD's Residential Rehabilitation Inspection Guide 2000 establishes the life expectancy of all household components. Click here to view Residential Rehabilitation Inspection Guide 2000

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Existing Homes:

- Property may not be located within airport runway clear zones, or wetland areas.
- Anti-tipping device required on kitchen range.
- Weatherstripping deteriorated at exterior doors
- Sink drain stoppers missing and slow draining
- Smoke detectors not present/missing in sleeping area
- Gutter splash block or flex pipe are not present
- Attic pulldown stairs are not insulated (conditioned space – located inside of dwelling)
- Missing/torn window insect screens
- GFCI outlets not present in wet areas.
- Appliances whose useful life is expired or nearing expiration. (A/C, Water Heater, Dishwasher, Range)

New Construction Homes:

- Living and Primary bedroom must be equipped with a ceiling fan
- Fully painted attached garage

8.6 Other HOME Programmatic Requirements

Uniform Relocation Act

The acquisition of any property in this program cannot result in the displacement of the present tenant. Any property purchased with CDBG or HOME funds must comply with the HUD Displacement, Relocation and Acquisition requirements as well as the Uniform Relocation Act.

Since the purchase is voluntary, the Seller is not eligible for relocation payments or other relocation assistance. Seller must sign Notice to Seller of Real Property.

Environmental Review

All properties receiving HOME/NSP/CDBG assistance will be subject to an Environmental Review to be performed by HCCSD prior to acquisition. All properties acquired with HUD assistance must have a completed Environmental Review prior to close of escrow to ensure that the proposed project does not negatively impact the surrounding environment and that the property site itself is safe for development. Each project must meet the applicable Environmental Review per 24 CFR 92.352.

Non-Discrimination

Implementation of the DAP will be consistent with Harris County's commitment to non-discrimination. No person shall be excluded from participation in, denied the benefit of, or be subject to discrimination under any program or activity funded in whole or in part with HOME/NSP/CDBG funds on the basis of religion or religious affiliation, age, race, color, creed, gender, sexual orientation, marital status, familial status (children), physical or mental disability, gender identity or expression of a person, national origin, or ancestry, or other arbitrary cause.

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9.0 APPLICATION PROCESS

Participating Lender may submit Loan application for DAP assistance for their borrower after they have been conditionally approved for a loan by a participating lender. Eligible applicants must have enough funds to meet out of pocket requirements, the necessary closing costs, as well as necessary reserves and sufficient income to meet the monthly mortgage payments.

PAYMENT SHOCK:
Applications will be carefully examined for significant increase in monthly housing payment and other liabilities. A substantial increase in monthly housing payment may heighten the risk of a default and is subject to a DAP application declination.

9.1 Application

The prospective homebuyer(s) who is interested in the Down Payment Assistance Program will go to one of the Participating Lenders and complete the Down payment Assistance Program Registration Form and Total Family Income Worksheet with the Participating Lender.

9.2 Homeownership Education

The prospective homebuyer(s) are required to successfully complete an 8-hour "in person" or virtual homeownership education course provided by a HUD Certified Housing Counseling Agency and Certified Counselor before submitting a DAP Loan application package.

9.3 Buyer Representation – Realtor

HCCSD recommends that all Homebuyers obtain representation by a State of Texas licensed real estate broker to assist in their home search and purchase transaction. All brokers/real estate agents are:

- encouraged to attend a DAP training session offered by HCCSD.
- must sign Affidavit of Selling Parties
- all brokers should disclose to the Seller their buyer's intentions to participate in a down payment assistance program which could require an extension of the closing date.
- should be aware that an amendment to extend the closing date may be required.
- should be aware that an amendment to the 3rd Party Financing addendum is likely to increase the number of days for approval of financing. (EX: add 40 days to what you would normally write)

9.4 Loan Approval by Lender

If Participating Lender determines that the prospective homebuyer(s) is conditionally approved for a loan, then the Lender will forward the DAP loan application package to the Program Administrator.

9.5 Processing Timeline (Calendar Days)

The goal of the DAP is to process files as quickly as possible within a reasonable review period of thirty-five (35) days from receipt of valid file. A valid file is defined as a loan file from a participating lender that is:

1. completely processed
2. approved by the participating lender (underwriter approved)
3. contains all required documents that support the lenders approval
4. and contains all required DAP documents identified in the Loan File Submittal Checklist

Documents must be valid, legible, accurate and completely executed by all applicable parties.

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The thirty-five (35) day timeline for processing the DAP loan application begins the day that the file is assigned to a Lending Assistant in Lending Services division. The date will be communicated to the Lender via email from the Lending Assistant.

Exception to the thirty-five (35) day processing timeline may be made for reasons of emergency including causes beyond the control and without the fault or negligence of the Participating Lender or Homebuyer, including but not restricted to, acts of God, fires, floods, epidemics, quarantine restrictions, and adverse weather conditions affecting the work to be performed.

If a federal or Harris County observed holiday falls within the 35-day period, add an additional business day to the anticipated delivery date.

9.6 Preliminary Loan Application Review (5 business days turn-around)

PA receipts file

PA acknowledges receipt by emailing Participating Lender

PA performs preliminary review. Results emailed to Participating Lender

9.6.1 Invalid Loan Application Package

If the submitted file is not complete, the Program Administrator will notify the Participating Lender by email that the file is incomplete and that the file will be placed in an invalid status until all missing information and documents are submitted. A valid file is defined as a completely processed, approved by the participating lender and contains all required documents that support the lenders approval and includes all required DAP documents identified in the Loan File Submittal Checklist. Documents must be valid, legible, accurately and completely filled out and executed by all applicable parties.

9.6.2 Valid Loan Application Package

If the submitted loan application package is complete, contains the required items identified on the DAP File Submission Checklist, the Program Administrator will notify the Participating Lender by email that the file will be placed in a valid status and the Program Administrator will initiate document review, income calculation, asset & liability evaluation and underwriting analysis for DAP assistance.

9.7 Participating Lenders' Underwriting Analysis

Underwriters analysis must be accurate. Expect the Program Administrator to evaluate the following information that is contained in each DAP loan application package:

- an updated and/or final 1008 must be submitted and signed by the underwriter prior to final approval.
- Analysis must be based on the details of the final purchase agreement in order that the proper mortgage payment is anticipated
- borrower must qualify based on income.
- If the Form 1008 Conventional Underwriting and Transmittal Summary or the FHA Underwriting and Transmittal Summary 92900- LT are not consistent with the DU/LP AUS Findings, PA will return loan application package for lender to re-evaluate and correct where necessary.
- A copy of the DU/LP AUS Findings must be submitted on all loans to confirm accuracy of the loan program and to verify the approval of the lender's underwriter.
- The AUS will be reviewed for requirements noted in the findings.
- Mortgage Insurance Certification – Mortgage Insurance is within AUS guidelines, and final MI certificate percent must match Final 1008 underwriting transmittal.

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- Credit Invoice – reasonable costs; may be required if discrepancy is found between Loan Estimate and Credit Report
- Any omission or evidence of fraudulent information will result in a DAP loan decline.

9.8 DAP Program Administrator Underwriting Analysis

Throughout the DAP underwriting process, the Program Administrator will analyze all aspects of the loan application package and will be in contact with the Participating Lender to request and/or verify information, documentation, calculations and may require supplemental documentation.

9.8.1 Residential Purchase Agreement

The Program Administrator will review the 1-4 Residential Purchase Agreement or Builders Contract which must include the final purchase price and be fully executed by all Buyer(s) and all Seller(s). The Purchase Agreement should include the sales price, the lender determined down payment, seller contributions and a closing date that allows for the prescribed DAP processing timeframe.

The contract should be typed, but if handwritten must be legible and cannot contain any cross-outs or initials on the purchase price.

If changes occur during the approval or closing process, a fully executed amendment outlining all agreed upon changes is required. Amendments may contain one or more agreed upon changes. All amendments must be signed by all buyer(s) and all seller(s).

9.9 Submit Inspection Request

The Participating Lender should submit the Single-Family Home (SFH) Inspection Request form to the Program Administrator at initial DAP loan application submittal. Form may be emailed or faxed. If the TREC inspection has been performed, attach a copy of the report and submit along with Inspection request form.

9.10 Underwriting Committee Review (URC)

The 2019 Guidebook was silent on the purpose and process of the URC committee. The purpose and process were not changed. The language to describe the URC and their process was included to make known their role. The Program Administrator presents each DAP loan application summary along with supporting documentation to the HCCSD Underwriting Review Committee (URC) members who are from various disciplines with an array of program related experiences including affordable housing planning, policy, finance, and development. Selecting a diverse group of voting members from other sections within HCCSD is intentional. It allows for an expansive knowledge base, wisdom and insight while maintaining impartial input. Members of the committee analyze each loan application package to confirm that applicant meets lender guidelines, DAP eligibility guidelines, regulatory compliance, debt-to-income ratio requirements and general affordability parameters. At the core of the URC's analysis is the evaluation of the risk associated with expending federal funds for each loan package reviewed. Approval is not guaranteed and requires a majority vote from committee members[8]. The three (3) outcomes associated with the URC review of each DAP loan application package include the following:

1. Approved to receive DAP Assistance – occurs when vote is majority to approve
2. Declined to receive DAP Assistance – occurs when vote is majority to decline
3. Decision to award DAP Assistance is Pending – the approval or denial may be based on required conditions being satisfied, requested data or recalculations or supporting documentation being provided to the URC for further consideration and analysis. In the case where additional research, data or documentation is required, the URC decision may be delayed and, in some cases, may cause

[8] Some cases may call for a tie-breaking or dividing vote by the Executive Director or their designee.

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the closing date to be delayed.

URC meets at a minimum twice per month but are scheduled to occur weekly. Lenders must submit a complete loan application package no later than close of business on Friday for loan package to be presented to the URC the following week.

DAP Loan applications will not be presented to URC until the loan application package is fully complete:

1. Contains all documents to validate DU Findings (See Checklist)
2. Contains a 1008 or a 92900 LT stamped/signed by the underwriter

Neither the lender, nor the applicant will be informed of the date of the URC Meeting. The established timeline should allow for a file to be presented to the URC, within a span of ten (10) business days.

9.10.1 DAP Approval Letters Issued

1. Conditional Approval Letter
A Conditional Approval Letter is issued to the Participating Lender when the Program Administrator and the Underwriting Review Committee (URC) deem that the applicant(s) is conditionally eligible. (See Checklist)

2. Final Approval Letter
A final approval letter is issued to the Participating Lender upon receipt of

- a final passing HQS or MPS inspection of the subject property
- MI Certificate (if applicable)
- all conditions are satisfied
- final (Conventional) Uniform Underwriting & Transmittal Summary (Form 1008) or final (FHA) Loan Underwriting and Transmittal Summary (Form HUD 92900-LT) signed by the underwriter

9.11 How is DAP Assistance Calculated

The Program Administrator will review the type of loan that the lender has submitted for the borrower. The loan type establishes the amount of down payment for the borrower to move forward with the purchase transaction which is the basis for the down payment award amount. Example:

- The minimum down payment requirement for an FHA loan is 3.5%
- The minimum down payment requirement for a Conventional Fannie Mae or Freddie Mac loan is 5%
- The minimum down payment requirement for a HomeReady and Home Possible loan is 3%

DAP Assistance includes **FOUR** (4) components. The Program Administrator does the following to determine the amount of DAP Assistance to be awarded for each loan application:

1. <u>Down Payment</u>

A. Analyzes data in the Loan Underwriting & Transmittal Summary: Mortgage Info., Underwriting Info. & Risk Assessment Sections:

- For FHA Loans - the underwriter signed or stamped 92900 LT
- For Conventional Loans - the 1008

B. Reviews the following in the absence of a signed 92900 LT or 1008

- An updated 92900 LT (unsigned/not stamped)
- Loan Estimate
- DU/LP AUS Findings

2. <u>Calculates Pre-paids</u>

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Closing costs paid at time of settlement that is required to offset housing related expenses that occur in the future, i.e., taxes, insurance, upfront interest.

3. <u>Estimates Closing Costs</u>

Adds dollar value for allocations to be paid by the DAP Program like Flood Insurance, Home Warranty, Title Policy

4. <u>Confirms & Finalizes DAP Assistance calculation based on review of the final Loan Underwriting & Transmittal Summary</u>

A. For FHA Loans - the underwriter signed or stamped 92900 LT

B. For Conventional loans - the 1008

Adjustments to calculations by Program Administrator and Lender may occur throughout the DAP analysis & underwriting process.

9.12 Applicant Interview with Program Administrator

The Program Administrator will schedule an interview with the applicant[9]. Interviews are conducted by appointment only. During the interview, the Program Administrator will:

- provide all necessary program documentation
  - Verification of Homeland Security
  - Homebuyer Set Up and Completion Form
  - Time Tracker
  - Notice of CDBG Funds
  - Lead-Safe Housing Rule – Applicability Form
  - Environmental Review Record (ERR) Documents
  - Flood and Wetland Map
  - Provided to Homeowner Equal Opportunity, Complaint Process, and Loan Fraud Brochure
- provide all necessary forms for the applicant's signature
- request current contact information (such as new telephone numbers, etc.)
- provide pre-foreclosure resources to consider for instances if homeowner encounters financial challenges that may affect ability be to make mortgage payments, or the property is being considered for foreclosure.
- provide CSD grievance forms and HUD Fair Housing brochure

9.13 Secure Funding

The Program Administrator will take steps to obtain Wire for funding so that the applicant(s) can proceed to closing. Processing of a wire transfer requests includes participation from partner County Departments.

When forecasting a closing date, from the day that the Program Administrator receives a balanced and approved Closing Disclosure from the Lender, expect a 5-day turnaround for wire/funds disbursement.

[9] At the discretion of the Program Administrator, interviews may be conducted via virtual meeting platforms and some documents may be signed using electronic signature tools.

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9.14 Closing

The closing date is the anticipated date that all loan originators, processors, underwriters and various other operational partners work towards for each loan, however, the closing date is not set in stone. There may be several factors throughout the process that impact, change, lessen or extend the date that the actual closing and/or actual funding occurs.

After a letter of final approval is sent to Participating Lender by PA and funding is in place, it is the responsibility of the Participating Lender to schedule a time and date of closing with the Title Company and confirm with all parties.

The Title Company Instructions, second lien deferred loan documents and homebuyer agreement will be emailed to the Participating Lender and the Title Company.

On the scheduled closing date, the Title Company (or Participating Lender) will forward the balanced Loan Disclosure to PA for approval.

After approval, the Loan Disclosure will be forwarded to the Title Company and the closing will proceed.

Title Company Closer may not fund the transaction until the Program Administrator provides the Title Company with an approved closing disclosure and a Funding Number, authorizing disbursement of funds.

9.15 Post Closing Activity

The following documents must be returned to the Program Administrator after closing:

- Title company will send the "original" Harris County deferred loan documents: The Second Lien Deed of Trust, Loan Note and Homebuyer Agreement.
- A copy of the Participating Mortgage Lender's loan documents: Deed of Trust, Loan Note, and the final signed Loan Disclosure

Lender will send the HUD Form 92544, Warranty of Completion, signed by the builder and homebuyer to the Program Administrator, if applicable.

The Program Administrator will be responsible for transmitting the Harris County Second Lien Deed of Trust to the County Clerk's Office for recording.

9.16 Application Denial

The Program Administrator and/or the Underwriting Committee may decline a prospective applicant based on, but not limited to poor credit history, bankruptcies, charged off rent and utilities, delinquent student loans, tax liens, or when an applicant does not meet eligibility income requirements. Any omission or evidence of fraudulent information will result in a DAP loan decline. If an application is declined for DAP assistance, a letter of denial will be sent to the lender and the client. If the reason for declination can be resolved, applicant may reapply after 60 days.

Funding may not occur until the Program Administrator approves and stamps the final closing disclosure and issues a funding number to the Title Company closer.

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[10] On a case-by-case basis, when necessary, a check may be issued in lieu of a wire transfer.

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10.0 FIRST MORTGAGE LOAN

10.1 Obtaining a Loan

The Homebuyer is responsible for obtaining the first loan financing through a participating lender. Loan types could include, but are not limited to:

- FHA 203(b)
- VA (must be originated and guaranteed in accordance with VA guidelines)
- Rural Housing Service (RHS must be originated and guaranteed in accordance with USDA guidelines)
- Fannie Mae Conventional
- Home Ready (Fannie Mae) and Home Possible (Freddie Mac)

First lender is required to consider the combined loan to value (CLTV) to assess the risk of extending loans to its' prospective DAP loan applicants.

10.2 Homebuyer Ratios

Homebuyers front-end ratio cannot exceed 39% and the back-end ratio or Debt-to-Income ratio (DTI) cannot exceed 42%. A DTI above 42% may be acceptable with a DU/LP AUS Finding but may not exceed 50%.

10.3 Participating Lender and Loan Officer

The person representing the Lending Company, example Originating Branch Manager or Branch Operations Manager, may be different from the loan officer/loan originator who is submitting the DAP loan application package. All persons who intend to participate in the Down Payment assistance program are required to attend training. The person submitting the DAP loan application package must attend training prior to submitting the DAP loan application package. Communication regarding the daily loan application process should be between the individual who submitted the DAP loan application package and the Program Administrator.

10.3.1 Lender Questionnaire

Lenders who would like to participate in submitting prospective clients to the HCCSD Down Payment Assistance Program must be pre-qualified through a review process. Lenders are also required to:

- be in good standing with the qualifying organization that they receive their license and provide proof of good standing to HCCSD Program Administrator
- complete a questionnaire pertaining to their prior marketing and participation with low and moderate income (LMI) clients
- must provide a proposed outreach/marketing strategy to be used to inform and educate LMI clients about the DAP program

After receiving and reviewing the questionnaire, Program Administrator will determine lenders eligibility to participate in the program.

10.3.2 Lender Training

If all criteria are met and Lender (Loan Officer) is determined eligible, they will be invited to attend a DAP Training (1-1.5 hours). Prior to originating a DAP loan, the Participating Lender is required to attend a DAP training session, where the Program Administrator will explain the DAP requirements and review the Program processes. Trainings are held at the Lantern Point office, or virtually, and include the following:

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- Introduction to Program Administrator Team
- review of the DAP process and timeline
- explanation of eligibility criteria to receive a DAP award
- instruction on how to assemble a file for submission to Program Administrator
- overview of applicable HUD regulations

In order to originate a DAP loan, the lender must accept the use of the DAP HOME/NSP/CDBG legal documents to be used for the assistance (2nd mortgage) including the Deed of Trust, Promissory Note and Homebuyer Deferred Loan Agreement.

10.3.3 Terms of Participation

If a Loan Officer does not submit an approved client file to HCCSD within six months of becoming a Participating DAP Lender the Loan Officer will be removed from the participating lender list and the Loan Officer will be required to reapply. The Participating Lender list will be purged on an ongoing basis.

Program Administrator will review the Lending Company and Loan Officers to confirm they are in good standing with the Texas Department of Savings and Mortgage Lending and the Nationwide Multi-state Licensing & Registry (NMLS) agency. If there are no negative administrative or enforcement actions taken by either agency, they are eligible to participate in the DAP program.

Documents required:

- Mortgage Broker/Mortgage Lender Questionnaire and Information
- Statement of Interest on Company Letterhead

10.3.4 Reasons for Declination

- Lender is not approved as a loan officer or lending entity
- Lender or loan officer has violations and/or sanctions

10.3.5 Reasons for Termination

HCCSD reserves the right to terminate participation to lenders, loan processors, loan originators, mortgage brokers, mortgage bankers, real estate agents, title companies and/or real estate brokers who in person or by way of electronic platforms (email, text, social media, apps):

- are non-compliant with DAP guidelines and policies
- violate federal program regulations or laws
- submit untrue, inaccurate, and/or fraudulent information
- knowingly make false claims or statements
- misrepresent clients financial need
- engage in fraud or abuse
- engage in unfair lending practices
- engages in slander of program and/or defamation of character of program staff
- engages in unprofessional and/or bullying communication or behavior towards program staff

If the lender/realtor partner refuses to adhere to or operate within guidelines and policies, HCCSD reserves the right to engage the County Attorney's Office to sever the relationship.

10.3.6 Lender's Total Fees

- Participating Lender's total fees may not exceed 2% including origination, processing fee, discount points and administrative type fees.
- Additional lender fees including appraisal, survey, TREC inspection, credit reports, and Title Company fees may not exceed 2%.

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10.3.7 SAM and OFAC Clearance

The Participating Lender must provide clearance for both the System for Award Management (SAM) and the Office of Foreign Asset Control (OFAC) sanctions list. Clearances must be presented to the Program Administrator on the lending agencies letterhead, signed and dated by lender representative for each DAP loan application submitted.

10.4 Loan Term (1st loan)

- shall be fully amortized
- must be at a rate considered prime for FHA, VA, or Conventional.
- cannot be an adjustable rate mortgage (ARM)
- cannot have a balloon payment

10.5 Escrow Account

All households will be required to have escrow accounts for the payment of property taxes and property insurance to ensure payments remain current.

11.0 DAP Credit Criteria & Secondary Underwriting Standards

In order to minimize the financial exposure to HCCSD during the affordability period, Program Administrators utilize the below outlined underwriting standards to analyze each DAP loan application to evaluate applicant's financial, credit worthiness and confirm the prospective buyers financial need.

11.1 Maximum Loan Amount

The maximum award amount for the HCCSD second loan will be up to $23,800 per home purchased under the Program to be used for the purpose of down payment, closing costs and amounts to pay for items like Flood Insurance, Home Warranty, Title Policy.

11.2 Availability of Funding

At the time of loan application, the Program Administrator will select the available type of funding to be used either HOME Funds, Community Development Block Grant funds or CDBG-DR funds.

If Community Development Block Grant (CDBG) funding is to be used, applicant is required to pay one half of the lender's required down payment. This down payment can be applied to costs such as earnest money, appraisals, credit reports, origination fees and other deposits that the applicant has paid upfront.

HUD funding guidelines do not allow borrower to receive any cash back.

11.3 Credit Criteria

Applicant is required to have a **minimum** credit score of 580.

Credit report will be analyzed for:

- Outstanding current and past debt
- Short-term debt (debt that should be paid off in less than ten (10) months)
- Long-term debt (debt that will extend more than ten (10) months)
- Educational (student) Loans
- Applicant name
- Federal default
- Public Records (Judgements, Liens, Child Support)

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11.4 Calculating Assistance Amount

The Program Administrator will use the loan type and the corresponding down payment percentage needed and the amount of the first loan as determined by the primary lender to calculate the HCCSD second loan amount needed to bridge the gap between the closing costs, less down payment, and the amount of the first loan. The homebuyer will be eligible to receive only the amount of assistance needed to achieve homeownership while keeping housing costs affordable. Homebuyer ratio parameters are considered when computing the amount of assistance.

The amount of down payment assistance will be based on the type of loan approved by the lender, solely focused on awarding assistance based on "funds needed" for borrower to consummate the transaction as documented on the Loan Estimate, Transmittal Summaries and DU/LP AUS Findings.

11.4.1 Loan Estimate and Loan Disclosure

Except as otherwise provided in §§ 1026.19, 1026.37, and 1026.38, disclosures may be estimated when the exact information is unknown at the time disclosures are made. Information is unknown if it is not reasonably available to the creditor at the time the disclosures are made. The "reasonably available" standard requires that the creditor, acting in good faith, exercise due diligence in obtaining information. For example, the creditor must at a minimum utilize generally accepted calculation tools but need not invest in the most sophisticated computer program to make a calculation. The creditor normally may rely on the representations of other parties in obtaining information. For example, the creditor might look to the consumer for the time of consummation, to insurance companies for the cost of insurance, or to realtors for taxes and escrow fees. The creditor may utilize estimates in making disclosures even though the creditor knows that more precise information will be available by the point of consummation. However, new disclosures may be required under § 1026.17(f) or § 1026.19. For purposes of § 1026.17(c)(2)(i), creditors must provide the actual amounts of the information required to be disclosed under §§ 1026.37 and 1026.38, pursuant to § 1026.19(e) and (f), subject to the estimation and redisclosure rules in those provisions.

Loan Estimate submitted by Participating Lender must accurately represent the amounts captured in the sales contract of the subject property to be purchased. Amounts include sales price, down payment, seller contributions, etc. Significant differences between the sales contract amounts (sales price, down payment, seller contribution, etc. and the Loan Estimate, will require the Participating Lender to recalculate using the correct amounts and resubmit the updated Loan Estimate.

11.4.2 Housing Choice Voucher

Loan Application Packages for applicants who are utilizing a Housing Choice Voucher (HCV) must include proof of participation in the Housing Choice Voucher Program. The lender is required to submit a copy of the Housing Choice Voucher with voucher expiration date, a current Affordability Worksheet or Homeownership Assistance Verification with the amount of monthly housing assistance (voucher amount).

11.5 Eligible Settlement Expenses

DAP assistance may be used to fund settlement expenses and/or down payment subject to the requirements of the insurer/guarantor. Settlement charges customarily charged to the buyer in Harris County, Texas market shall be charged to the buyer for any transaction involving DAP funds. Similarly, any settlement charges customarily charged to the Seller in Harris County, Texas market shall be

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charged to the Seller for any transaction involving DAP funds. The Program does not have a cap on closing costs, but eligible closing costs are subject to review and approval by the Program Administrator as a part of underwriting analysis and Program monitoring. The Program Administrator has a responsibility to evaluate the cost-reasonableness of buyer paid closing costs prior to closing and to request changes through the Lender and/or Title companies as appropriate. While there is no set standard for cost reasonableness, a generally accepted measure examines incurred costs to those that might be incurred in similar circumstances, in comparison to common industry standards, as well as the necessity of such costs in the normal course of business.

The settlement expenses (closing costs) include all expenses that must be paid when a home is purchased, such as:

1. Fees or premiums for title examination, title insurance or similar expenses;
2. Loan application fees;
3. Credit report;
4. Flood certification;
5. Fees for preparation of a deed, settlement statement, or other documents;
6. Lender's legal fees;
7. Payments owed at the time of settlement for property taxes or homeowner property hazard insurance coverage;
8. Escrows for future payments of taxes and hazard insurance;
9. Fees for notarizing deeds and other documents;
10. Title search and insurance;
11. Transfer and recordation taxes and fees;
12. Fees for premiums for mortgage insurance or guarantee;
13. Loan discount points and origination fees;
14. Current month's mortgage interest from the date of closing through the end of the month in which closing occurs;
15. Up to 30 days of prepaid mortgage interest;
16. Appraisal;
17. Homeowners Association current dues and transfer fees;
18. Home inspection fees;
19. Home warranty fees; and
20. Other reasonable and customary prepaid expenses
21. Interest Rate reduction only when the reduction is necessary to help the homebuyer meet the 39% front end ratio and the 42% DTI

During the Program Administrator analysis supporting documentation may be required in order to thoroughly perform underwriting analysis. Ex. MI certification, student loan deferment agreement, credit invoice, marriage license, recertification housing voucher.

11.6 Ineligible Expenses

Principal reduction is not an eligible expense and is not allowable for over funding of down payment assistance.

11.7 Approval of the County Second Loan

After the purchase offer is accepted and all financing commitments are in place, a complete loan application package is produced by loan officer and submitted to the HCCSD Program Administrator for determination of eligibility. The loan application package will include but not be limited to,

- DAP Registration Form, employment tenure, homebuyer income eligibility and repayment ability
- Mortgage Underwriters Analysis:
  - FHA Underwriting and Transmittal Summary 92900-LT
  - Conventional Underwriting and Transmittal Summary 1008 with:

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1. debt to income ratios
2. loan application
3. amount and terms of the first loan

- Loan Estimate
- DU/LP AUS Findings
  1. itemization of loan costs
  2. preliminary title report
  3. credit report(s)
  4. TREC inspection
  5. Appraisal
  6. Loan Disclosure
  7. loan commitment from first lender
  8. any other information specific to the loan application (ex. MI certification).
- Purchase Agreement and related documents (EM & OF checks, addendum, notices, disclosures, inspection reports, etc.)

All documents must be included in DAP loan application package for the Program Administrator to move forward with the eligibility determination process. If loan officer does not include all required documents, Program Administrator will place the file in an "invalid status" until loan officer provides all documents, at which time the application will be moved back to valid status. The 35-day calendar countdown begins upon verification of a valid loan application package from loan officer.

Submittal of a partial and/or invalid DAP loan application package will result in application being placed in an "invalid" status and will result in delayed eligibility determination which will likely adversely affect the projected closing date and may require an amendment to the contract to extend the closing date.

If the DAP loan application is approved through a process of underwriting analysis performed by the Program Administrator and Underwriting Review Committee (URC), a "conditional" approval will be issued to the lender/loan officer.

After all conditions have been satisfied, Program Administrator will issue a "final" approval to the lender/loan officer.

If approved, the Homebuyer signs a HCCSD County Attorney approved Homebuyer Deferred Loan Agreement, Promissory Note, Deed of Trust, and any other statutory lending notices necessary to secure the HOME DAP/NSP second loan. The Deferred Loan Agreement, Promissory Note, and Deed of Trust are then sent to the title company for closing. The Deferred Loan Agreement and Deed of Trust must be recorded with the Harris County Clerk's Office.

During the Program Administrator analysis and as a part of the Underwriting Committee review process, additional documents may be required in order to thoroughly perform underwriting analysis. EX: MCC award, final housing voucher

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12.0 Loan Repayment and Terms

HCCSD will not accept voluntary loan payments from Homebuyers prepaying a portion of the deferred loan. Pre-payment of the second loan during the affordability period will not release the Homebuyer from the principal occupancy requirement.

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If the affordability period is not satisfied, the full amount of the assistance must be repaid to HCCSD. HCCSD will accept loan payments from Homebuyers paying in full upon sale and transfer of the property or change in title. All loan payments are payable to HCCSD, unless otherwise directed. Loan payments should be made to:

Harris County Community Services Department
8410 Lantern Point Drive
Houston, TX 77054
c/o Lending Services Program Administrator

12.1 Recapture

The second lien deferred loan mortgage assistance funding is due in full if the affordability period has not been satisfied or matured upon sale, and lease with option to purchase, transfer, or other disposition (including contract for deed) of the property has occurred within the recapture/affordability period.

12.2 Sale of Property during Affordability Period

If the Homebuyer does not remain in the property during the affordability period, then the property must be sold at Fair Market Value. If sale of the home occurs during the affordability period, the total amount of DAP assistance will need to be repaid to HCCSD. See Sections: Recapture and Net Proceeds)

12.3 Refinance of First Loan

The outstanding HCCSD second loan will not be due upon refinance of the first loan, provided that such refinancing of the property, the principal balance of the new first lender loan and the HCCSD DAP second loan must not exceed the present appraised value of the property.

In order to obtain approval for refinancing by HCCSD, homeowner must receive a Subordination Agreement. The following documents and information must be submitted to the HCCSD office:

- Authorization from homeowner giving permission to Program Administrator to work with the new Lending Company.
- Complete name of the new Lending Company.
- Complete name of the Trustee for the Lending Company.

A copy of the Closing Disclosure signed Loan Application and any other applicable documents that will provide information as to the type of transaction being processed for the homeowner.

Restrictions include:

- New loan amount should not exceed the original loan amount.
- Adjustable Rate Mortgages (ARM) will not be approved.
- No cash back at closing.

HCCSD has the right to refuse subordination for purposes of refinancing if it is not in HCCSD's interest to do so.

12.4 Subordination

If a borrower chooses to refinance their first mortgage a Subordination Agreement must be executed. A subordination agreement is a legal document that reduces the priority of the one lien position (first) on a property relative to another lien (second) position. Harris County holds a second lien position to protect and enforce the affordability restrictions and recapture provision required for borrower receiving down payment assistance.

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HCCSD will not subordinate its position to loans for credit debt or loans that do not reflect one of the following exceptions:

- to lower the interest rate and monthly payment on the first mortgage by a minimum of $50 per month.

No cash may be taken out of the property as part of the refinancing.

12.5 Conditions of Default

Conditions of default include:

- transfer of title or sale of the property without repayment or assumption of the HOME/NSP/CDBG DAP second loan.
- property taxes are not paid
- proper insurance is not maintained
- Deferred Loan Agreement and deed restrictions are not adhered to
- Housing Choice Voucher payment is not deposited with mortgage servicer

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Unremedied default may result in DAP funds being recaptured.

12.6 Conditions to Forgiveness

As a condition to forgiveness, the program participant must not have allowed a default under the HCCSD loan documents or the DAP lender's loan documents to remain unsecured and must be in compliance with the affordability restrictions set forth in the deed pursuant to which the applicant acquired the title to the property. Compliance is monitored annually by HCCSD throughout the term of the affordability period.

- DAP assistance from HCCSD is a zero interest, non-amortizing forgivable loan. If the Homebuyer has occupied the home as their principal residence and complies with the requirements of the Deferred Loan Agreement, Deed of Trust and Promissory Note, the assistance will be forgiven after the affordability period has been completed.
- Forgiveness occurs on the anniversary date. The affordability period for HOME/NSP/CDBG funds begins the day the DAP closing documents are executed and recorded with the Harris County Clerk's Office.
- The Program Administrator shall ensure that the Homebuyer is aware of the duration and start date of the affordability period. Loans are due upon transfer of title or when borrower no longer occupies the home as his/her principal residence or upon a default of the loan.
- HCCSD requires the Homebuyer to obtain Owner's Title insurance on the second mortgage loan at closing.

12.7 Foreclosure

In the event the Homebuyer's property enters foreclosure proceedings through a foreclosure action or a deed transfer to the lender in lieu of foreclosure, HCCSD will take all precautions necessary to ensure the DAP funds invested in the property are protected. The Homebuyer will be required to repay what is due only out of net proceeds (if any) received from transfer. The Recapture Method in 24 CFR 92.254(a)(5)(ii)(A)(3) will be used to recoup the mortgage assistance investment if the homebuyer does not complete the affordability period due to foreclosure. The second lien deferred loan is not assumable.

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13.0 Procedures for Exceptions/Special Circumstances

Exceptions or special circumstances are defined as any action that would depart from policy and procedures stated in this Guidebook. Consideration of an exceptional/special circumstances may be initiated prior to final DAP application approval. A report on the situation will be prepared containing a narrative, a recommended course of action and written supporting documentation. The Executive Director or his/her designee may decide of the exception or special circumstance request.

14.0 Loan Monitoring Procedures

Compliance Monitoring

Program Administrator will annually monitor homebuyer compliance, for the length of the affordability period, to, ensure adherence to Affordability requirements including but not limited to, the following:

- Owner occupancy

2nd Lien Monitoring Procedures

Letter 1

An annual affordability letter will be mailed to the new homebuyer(s) to ensure compliance to the Second Lien Deed of Trust that the property is currently their primary residence.

Letter 2

If the first annual affordability letter is not returned within thirty (30) days, a second (2nd) request letter will be mailed.

Letter 3 - Final

If the second request letter is not returned within thirty (30) days, a third (3rd) and final letter will be hand delivered by a representative of Harris County Community Services Department or delivered certified mail.

Legal Action

If the final letter is not executed and returned within thirty (30) days, the homebuyer's information of non-compliance will be referred to the County Attorney for possible legal action.

1st Lien Monitoring Compliance

Letter will be sent to the mortgage holder requesting they contact HCCSD if client is going into default.

15.0 Appraisals

All appraisals used to determine Fair Market Value for the Program must meet the Uniform Relocation Assistance and Real Property Acquisition Policy Act of 1970 (URA) definition of an appraisal (49 CFR 24.2(a). The appraisal must be completed within sixty (60) days of the final offer. In order to document the Fair Market Value, a copy of the lender's appraisal must be submitted to the Program Administrator at the time of initial loan application submittal.

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16.0 Marketing and Outreach

Marketing and outreach are key components to program success and ensure that potential low- and moderate-income homebuyers are aware of resources that assist them with achieving homeownership. DAP is promoted through HCCSD's Housing and Community Resource Center. Additionally, Potential applicants will be informed of the details of the DAP via meetings with lenders or real estate agents, social media, industry events & media articles. The marketing information will include basic eligibility requirements, a general description of the Program, and will bear the Fair Housing Logo symbol. Flyers or other outreach materials in English and other primary languages may be distributed. All outreach efforts will be done in accordance with state and federal fair lending regulations to assure non-discriminatory treatment, outreach and access to the Program.

17.0 Fair Housing

The Department of Housing and Urban Development (HUD) enforces the Fair Housing Act, which prohibits discrimination and the intimidation of people in their homes, apartment buildings, and condominium developments – in nearly all housing transactions, including the rental and sale of housing and the provision of mortgage loans. Equal access to rental housing and homeownership opportunities is the cornerstone of this nation's federal housing policy. Housing providers who refuse to rent or sell homes to people based on race, color, national origin, religion, sex, familial status, or disability are violating federal law, and HUD will vigorously pursue enforcement actions against them.

CSD shall ensure that no person shall on the grounds of race, color, national origin, religion, sex, sexual orientation, age, familial status, or disability be excluded from participation in, be denied the benefits of, or be subjected to discrimination under or be denied access to the Program.

Click Here To View Fair Housing Booklet

18.0 Predatory Lending Policy

HCCSD does not condone unfair lending practices carried out by a lender to entice, induce and/or assist a borrower in taking a mortgage that carries a high interest rate and fees or places the borrower in a lower credit rated loan to the benefit of the lender. All homebuyers receiving assistance through the down payment assistance program must have mortgages consistent with the following:

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- No adjustable rate mortgages
- No excessive fees
- Participating Mortgage Lender's fees must not exceed 2% origination, processing fees, discount points and administrative fees
- Owner's Title Policy
- Seller is required to pay the owner's title policy[11]
- Loans with Balloon payments are not allowed
- No prepayment penalty that requires buyer to pay a steep fee before refinancing
- Interest rate may not be more than 2% over the market interest rate
- Non-conforming loans are not allowed

[11] Exceptions may be granted on a case by case basis.

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19.0 Forms

DAP Loan Application Package Submittal Stages & Checklist

Use this checklist as a guide to the 4 stages of file submittal and the documents required for each.

1. Registration & Property Forms Submission

Documents To Be Included On Left Side Of Loan File

- ☐ Registration Form
- ☐ Lender Intent Letter*
- ☐ Lender Affidavit*
- ☐ Affidavit of Selling Parties
- ☐ Notice to Real Property Owner/Seller
- ☐ Borrower's Signature Authorization
- ☐ Single Family Home Inspection Request Form
- ☐ TREC Inspection Report

2. Underwriter Approved Loan Submission

Documents To Be Included On Right Side Of Loan File

- ☐ Homeownership Education Certificate
- ☐ Final Monthly Household Budget from Homeownership Education Class (Signed by Counselor)
- ☐ Valid Texas ID's, Social Security Cards & Proof of Citizenship for ALL Household Members
- ☐ FHA Loan: FHA Loan Underwriting & Transmittal Summary (HUD 92900-Lt)
- ☐ Conv. Loan: Uniform Underwriting Transmittal Summary (Form 1008)
- ☐ DU/LP AUS Findings
- ☐ Loan Estimate from Lender (Include Signed Disclosures)
- ☐ Uniform Residential Loan Application (Form 1003) – **Initial Application**
- ☐ Copy of Credit Report for All Applicant(S) - Including NPS
- ☐ Verification of Employment for All Household Members
- ☐ Last Two (2) Months of Paycheck Stubs
- ☐ Federal Tax Returns And W-2's W/All Schedules & Transcripts (Last 2 Years)
- ☐ Section 8 Voucher + Affordability Worksheet or Homeownership Assistance Verification, If Applicable
- ☐ 401k, Ira's, Pensions, Child Support Income Verification from OAG Website, Etc.
- ☐ The Last Two (2) Months of Recent Bank Statements
- ☐ Verification of Rent
- ☐ Fully Executed 1-4 Residential Purchase Agreement (Addenda, Earnest Money & Option Fee)
- ☐ Title Company Contact Information
- ☐ If W-9, YTD P&L Statement Prepared by CPA Or Tax Preparer
- ☐ Title Commitment (Schedules A, B and C)
- ☐ Clearance for SAM and OFAC on Lender's Letterhead
- ☐ Current Property Appraisal
- ☐ Flood Determination Form (FEMA Form 086-0-32)

3. DAP Conditional Approval Submission

- ☐ Single Family Home Inspection (Passed Status)
- ☐ Other Docs as Required (ex: TREC Re-Inspection Report, repair receipts)

4. DAP Final Approval Submission

- ☐ Balanced Closing Disclosure
- ☐ Final 92900
- ☐ Final 1008
- ☐ Uniform Residential Loan Application (Form 1003) – **Final Typed Application**
- ☐ DU/LP AUS Findings
- ☐ Repair Disbursement Form with Receipts (If Applicable)
- ☐ Mortgage Insurance Certification (If Applicable)
- ☐ Compliance Inspection Report (FORM HUD-92051) [New Construction Only]
- ☐ Builder's Certification (Form HUD-92541) [New Construction Only]
- ☐ Energy Star Certificate/HERS [New Construction Only]

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19.1 Registration Form

Harris County Community Services Department
Lending Services Registration Form

Please print all requested information below.

Funding Lender Information

Loan Officer: _____ Phone: _____
Lender Name: _____ Fax: _____
Address: _____ E-Mail: _____

Applicant Information

Primary Applicant				Co-Applicant/Non-Purchasing Spouse			
Last:		First:		Last:		First:	
Home:		Work:		Home:		Work:	
DOB:		SSN:		DOB:		SSN:	
TDL:		Single / Married / Divorced (Circle one)		TDL:		Single / Married / Divorced (Circle one)	

Household Information

Total Number of Dependents Living in Household: _____
Total Number of Adults Living in Household: _____ (a person over the age of 18 who is not in school F/T)

	First & Last Name	Date of Birth
1		
2		
3		
4		
5		
6		

Total Household Size: _____

Property Information

Street Number: _____ Street Name: _____ Anticipated Closing Date: _____
City: _____ State: Texas Zip Code: _____ Loan Type: FHA / VA / Conventional
Property Type: _____ Newly Constructed _____ Pre-owned Year Built: _____

Loan Information

Sales Price: $ _____ First Lien Amount: $ _____ DAP or NSP Subsidy: $ _____

Income Information

Figure should be taken from the Total Family Income Worksheet attached.

Total Family Income: $ _____

	Total Family Size	80% DAP Maximum Income	120% NSP Maximum Income
[illegible]	1 Person	[illegible]	[illegible]
[illegible]	2 Persons	[illegible]	[illegible]
[illegible]	3 Persons	[illegible]	[illegible]
[illegible]	4 Persons	[illegible]	[illegible]
[illegible]	5 Persons	[illegible]	[illegible]
[illegible]	6 Persons	[illegible]	[illegible]
[illegible]	7 Persons	[illegible]	[illegible]
[illegible]	8 Persons	[illegible]	[illegible]

[illegible] _____
[illegible] _____
[illegible] _____
[illegible] _____
[illegible] _____
[illegible] _____
[illegible] _____
[illegible] _____
[illegible] _____

I plan on purchasing a house within the next thirty-five (35) days and am interested in applying for assistance through the Downpayment Assistance Program (DAP) or Neighborhood Stabilization Program (NSP) - single-applicable program.

_____ _____ _____
Printed Name Signature Date

_____ _____ _____
Printed Name Signature Date

Subsidies are available on a first-come-first-serve basis. No commitment or obligation on the part of Harris County or the Community Services Department is made or implied by the acceptance of these documents.

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19.2 LENDER INTENT LETTER

Harris County Community Services Department
Douglas Croffitt, Program Administrator Manager
8410 Lantern Point
Houston, Texas 77054

RE: _____

Dear Mr. Croffitt:

After a careful review of the credit report, other documents and qualifications, we are prepared to process the mortgage application for the borrower noted below:

Application date: _____

Borrowers Name(s): _____

Property address: _____

The price and terms are as follows:

Sales Price: _____ **Contract Execution Date:** _____

Type Loan: _____ **TREC Inspection Date:** _____

Term: _____ **Option Period Expires:** _____

Interest Rate: _____ **Estimated Closing Date:** _____

Applicant(s) understands that if they are eligible to participate in Down Payment Assistance Program (DAP):

1. the first loan must be fully approved by mortgage underwriter within thirty (30) days of application.
2. up to $23,800.00 will be reserved in their name(s) for thirty-five (35) days to assist with mortgage, down payment, prepaids, closing cost expenses and insurance, warranty and title policy.
3. there is a thirty-five (35) day application processing timeline for DAP assistance[12]

If you have any questions, call HCCSD Program Administrator at 832-927-4700.

Sincerely,

_____Date:_____
Lender Signature

_____Date:_____
Printed Name

[12] with the exception of by reason of national emergency; causes beyond the control and without the fault or negligence of the Mortgage Company or Homebuyer, including but not restricted to, acts of God, fires, floods, epidemics, quarantine restrictions, and adverse weather conditions affecting the work to be performed.

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Property Eligibility

The undersigned lender representative warrants that the property to be purchased through the HCCSD is located within the jurisdiction of the Harris County Community Services Department (HCCSD), which is the governmental agency supplying the Home Investment Partnerships Program (HOME), or NSP funds for the respective homebuyer.

Check the correct Program:

☐ Down Payment Assistance Program (DAP)

☐ Neighborhood Stabilization Program (NSP)

Application Process

Funds are available on a first-come-first-serve basis. The DAP Program Administrator requires 35 days to process the DAP Loan Application Package. The Applicant's application does not ensure the availability of funds under this program or any other. The Applicant(s) must meet:

- Lender's underwriting requirements and be approved for a mortgage loan prior to applying for DAP
- All HCCSD DAP program eligibility requirements and guidelines.

The Inspection and Environmental Review Process

The Seller understands that the unit must be inspected to ensure that the unit is decent, safe, and sanitary and to ensure that the proposed project does not negatively impact the surrounding environment prior to any Federal assistance being provided.

Commonly Failed Items:

Useful life of appliances (A/C, Water Heater, Dishwasher, Range)	Property may not be located within airport runway clear zones, or wetland areas
GFI installed in wet areas	Anti-tipping device required on kitchen range
Living and Master Bedroom must be equipped with a ceiling fan	Door peephole required on front door

The Closing Process

It is important for all Selling Parties to understand that the Applicant(s) must receive these funds in order to close. The eligibility review and loan closing process take longer than a non-assisted mortgage/real estate purchase transaction.

The Closing Date

The closing date is an anticipated date that all parties involved will be working towards, however, this date is not set in stone as there are several factors throughout the process that may impact, change, lessen or extend the date at which the transaction actually closes and the date on which the loan actually funds.

Contract Amendments

An amendment may be required to:

- extend the closing date in order to allow the prescribed DAP processing timeframe.
- extend the days allotted for securing 3rd Party Financing.

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Release of Funds

The date of the release of funds (wire) may occur after the actual closing date.

I have read, understand, and agree to all the conditions stated above. By signing below, I confirm my understanding of the stated requirements above.

Property Address: _____

Applicant(s) Name: _____

Lender Representative: _____

Print Name

Lender Representative: _____ _____

Signature Date

Lender: _____

Name of Company

The willful falsification of any of the above statements or information may subject the person(s) to Civil or Criminal Prosecution.

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Displaced Occupants

Under the Down Payment Assistance Program (DAP) guidebook and in accordance with 49 CFR 24.101, Applicability of Acquisition Requirements, the Seller(s) must not displace tenants of the property being purchased. If someone currently occupies the property other than the Owner or the Buyer in the transaction, the Seller(s) must notify the tenant(s) that: (1) there is a purchase offer on the house, and (2) that the Buyer will be using Federal funds to purchase the house. Under federal guidelines, the current tenant(s) is not required to vacate the property. If they decide not to vacate, this condition will invalidate the contract for purchase. The Buyer must then select another site for purchase in this case.

Application Process

Funds are available on a first-come-first-serve basis. The DAP Program Administrator requires 35 days to process the DAP Loan Application Package. The Applicant's application does not ensure the availability of funds under this program or any other. The Applicant(s) must meet:

- Lender's underwriting requirements and be approved for a mortgage loan prior to applying for DAP
- all HCCSD DAP program eligibility requirements and guidelines.

The Inspection and Environmental Review Process

The Seller understands that the unit must be inspected to ensure that the unit is decent, safe, and sanitary and to ensure that the proposed project does not negatively impact the surrounding environment prior to any Federal assistance being provided.

Commonly Failed Items:

Useful life of appliances (A/C, Water Heater, Dishwasher, Range)	Property may not be located within airport runway clear zones, or wetland areas
GFI installed in wet areas	Anti-tipping device required on kitchen range
Living and Master Bedroom must be equipped with a ceiling fan	Door peephole required on front door

The Closing Process

It is important for all Selling Parties to understand that the Applicant(s) must receive these funds in order to close. The eligibility review and loan closing process take longer than a non-assisted mortgage/real estate purchase transaction.

The Closing Date

The closing date is an anticipated date that all parties involved will be working towards, however, this date is not set in stone as there are several factors throughout the process that may impact, change, lessen or extend the date at which the transaction actually closes and the date on which the loan actually funds.

Contract Amendments

An amendment may be required to:

- extend the closing date in order to allow the prescribed DAP processing timeframe.

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- extend the days allotted for securing 3rd Party Financing.

Release of Funds

The date of the release of funds (wire) may occur after the actual closing date.

I have read, understand, and agree to all the conditions stated above. By signing below, I confirm my understanding of the stated requirements above.

Property Address:_____

Applicant(s): _____

Seller: _____ _____ _____
Printed Name Signature Date

Seller: _____ _____ _____
Printed Name Signature Date

Listing Agent: _____ _____ _____
Printed Name Signature Date

Company Name:_____

Selling Agent: _____ _____ _____
Printed Name Signature Date

Company Name:_____

The willful falsification of any of the above statements or information may subject the person(s) to Civil or Criminal Prosecution.

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19.5 Total Family Income Worksheet

This form is required to comply with federal funding requirements. The requested information applies to all persons who will be living in the property who are eighteen (18) or older and not a full-time student. Pay stubs, tax returns, and/or contact with employer(s) will be used to verify income information. I acknowledge that all the information provided is accurate and correct and is important to the issuance of the federal assistance for which I have applied. I agree to allow my employer(s) or any other person with knowledge about my income to provide the information to the Program Administrator to determine my eligibility.

Applicant Name:

	Printed Name	Signature	Date

Co-Applicant Name:

	Printed Name	Signature	Date

In order to effectively determine a family's annual income, the last two (2) months of payroll stubs need to be reviewed and copies provided to the Program Administrator.

To begin the annual income calculation, list on a separate page the gross income for the current two (2) months of payroll. Total the two (2) months of payroll and divide by the number of payroll stubs involved in the calculation. Then multiply that amount by the number

	Applicant	***Co-Applicant***
Regular Job Income		
Total of 2 months gross income on pay stubs:	$	$
Divide by number of pay stubs to get average amount per pay period:	$	$
No. of Pay Periods per Year:		
Multiply average pay period by number of pay periods per year:	$	$

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Add Extra Job Income

Commissions, Fees, Tips, Bonuses:	$	$
Annual Job Gross Income	**$**	**$**

Business Income

Self-Employment (Profit and Loss Statement required for last 6 months from Accountant or Bookkeeper)	**$**	**$**

Government Assistance

Unemployment	**$**	**$**
Disability Social Security	**$**	**$**
SSI	**$**	**$**
Public Assistance	**$**	**$**

Other Income

Alimony	**$**	**$**
Child Support	**$**	**$**
Re-occurring Gifts	**$**	**$**
Misc. Income _____	**$**	**$**
Total Income Per Person	**$**	**$**
TOTAL COMBINED FAMILY INCOME	**$**	

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19.6 Notice to Real Property Owner/Seller

Date:_____

Owner(s)/Seller(s):_____

Buyer(s):_____

Subject Property:_____

Dear Owner/Seller:

Property believed to be owned by you is being considered for purchase, as referenced above. Because Federal funds in the form of down payment and closing cost assistance to the Buyer may be used in the purchase of your property, we are required to disclose the following information by the U. S. Department of Housing and Urban Development (HUD) [Uniform Relocation Assistance and Real Property Acquisition Policies Act as amended (URA), Section 24.101(b)(2)]:

1. The proposed sale is voluntary. In the event negotiations fail to result in an agreement, the property will not be acquired via voluntary purchase or eminent domain.

2. The fair market value of the property is estimated to be $_____. However, since this transaction is voluntary, current or future negotiations may result in a price that could be (a) commensurate with this estimate or, (b) for an amount that exceeds or is less than this estimate.

An owner-occupant who conveys his or her property under these terms does not qualify as a displaced person. Additionally, any person who occupies the property for the purpose of obtaining assistance under the URA does not qualify as a displaced person. However, tenant-occupants displaced as a result of a voluntary acquisition may be entitled to URA relocation assistance and must be informed in writing as soon as feasible. In accordance with HUD requirements, if the information provided above is disclosed after an option to purchase or contract has been executed between the Buyer and the Seller, the Seller must be provided the opportunity to withdraw from the agreement.

Any title deficiencies, liens, or encumbrances on the property must be cleared prior to any closing. Generally, this is a cost that is borne by the seller of the property. However, if approved by the participating jurisdiction (PJ), these costs may be fully paid by the seller, by the buyer or, as negotiated between the seller and the buyer, using their own funds. **No federal funds can be used to pay these costs.**

Additionally, the Seller acknowledges compliance with Title VII – Protecting Tenants at Foreclosure Act of 2009, effective May 20, 2009, including, but not limited to the provision to provide bona fide tenants with a ninety (90) day notice.

Should you have any questions, please feel free to contact Douglas Croffitt, Program Administrator Manager, Harris County Community Services Department, at 832-927-4808.

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19.7 Single Family Home (SFH) Inspection Request Form *(MUST BE TYPED FOR SUBMISSION)*

TO: HCCSD Program Administrator	Date:	Fax:
Requesting Agency		
Mortgage Company:		
Loan Officer:		
Address: City: Zip:		
Phone: Fax:		Email Address:
Applicant/Property Information		
Applicant Name:		
Property Address:	City:	Zip:
Year Built: Contract Sales Price: $		
Contract Execution Date:	TREC Inspection Scheduled For:	
Estimated Closing Date:	TREC Inspection Occurred On:	
Option Period Expires:	Inspection Report Attached ☐	

Seller Information (Builder/Owner)	*(Info. needed for HCIS to schedule inspection)*	
Builder/Owner Name:	Phone:	
Contact Person:	Phone:	
Address:	City:	Zip:
Email Address:		
Are all utilities turned on:	Yes	No
Unit ready for inspection:	Yes	No
General Information *(To be filled out by Program Administrator)*		
Builder Certificate received: Yes No		
IDIS Number: _____ Funding Source: _____		

County Program Administrator Contact Person: _____ Date: _____

HCIS Inspection Information
All HCIS inspections will be performed and inspection reports returned to Program Administrator within ten (10) business days from the time the Program Administrator submits the request to HCIS.
Date Inspection Request Submitted: By:
Date Inspection Completed: By:

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Inspection result:	Pass	Fail

19.8 Title Company Contact Information

Applicants/Homebuyers:	
Address of Purchased Property:	
City/State/Zip:	
Title Company:	
Address of Title Company:	
City/State/Zip:	
Closer:	
Office Telephone No.:	
Inspection Contact Person:	
Inspection Telephone No.:	
Homebuyer's Deferred Loan Amount:	
Commissioner Precinct No.:	

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20.0 Other HCCSD Programs

NEIGHBORHOOD STABILIZATION PROGRAM

HOME OWNERSHIP MADE EASY (H.O.M.E.)

The Harris County H.O.M.E. (Home Ownership Made Easy) Program is a HUD Neighborhood Stabilization Program (NSP) and is administered by the Harris County Community Services Department (HCCSD). This program purchased recently foreclosed homes, rehab it to meet HCCSD Minimum Property Standards (MPS) and Health & Safety and is being offered for resale at a discount below the County's total costs, to pre-qualified buyers who meet the guidelines of the H.O.M.E. program.

WHAT ARE THE GOALS OF THE PROGRAM?

- The program funds projects that create homeownership opportunities in neighborhoods hit hard by the mortgage foreclosure crisis since 2008 through the acquisition and rehabilitation of foreclosed, abandoned and vacant properties across the Harris County service area.
- To bring homeownership back into many of the neighborhoods that were impacted by the sub-prime mortgage crisis.
- To provide decent, safe, and sanitary housing within Harris County through the acquisition and rehabilitation of foreclosed homes.
- To help eligible households from Low, Moderate and Middle incomes with homeownership opportunities.

WHO DOES THIS PROGRAM HELP?

Households with incomes up to 120% of AMI.

WHAT ARE THE APPLICANT ELIGIBILITY REQUIREMENTS?

- Must be a United States citizen, or an eligible legal immigrant/resident
- Property must be the principal residence of the applicant(s)
- Household income cannot exceed 120% AMI
- Must be able to secure a first mortgage, non-subprime program, from a financial/mortgage institution as the first lien, or from another applicable local/national lender. Must also agree to a 2nd lien Deed of Trust with Harris County CSD as the trustee.
- Homebuyer must not have owned a residential property within the past 3 years and must attend and received an 8 hours HUD home buying education certificate from an approved provider.
- Other restrictions may include but not limit to current assets, credit score and debt ratios

WHAT ARE THE PROGRAM BENEFITS?

The program is made available for eligible homebuyers in the form of a deferred forgivable loan. The loan does not require monthly payments and is forgiven if you reside in the home for a minimum of five (5) years.

Loan assistance may include, but not be limited to:

- Reduction in sales price from the listed price
- Closing Costs, up to 6% of the net listed price
- Owner's Title Policy (OTP)
- 1st year Home Warranty

FOR QUESTIONS OR ADDITIONAL INFORMATION:

- Go to the H.O.M.E. website http://hchome.harriscountytx.gov

Call 832-927-4958 or email harriscountyhome@csd.hctx.net

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21.0 Disaster Recovery Programs

Effective with Harris County and State of Texas 2019

The Harris County Community Services Department (HCCSD) is administering two (2) homebuyer Disaster Recovery Programs that provide Down Payment Assistance.

1. The Buyout Program

The Harris County Voluntary Buyout Program is jointly operated through the Harris County Community Services Department (HCCSD), the Harris County Engineering Departments Real Property Division (HCRPD), and the Harris County Flood Control District (HCFCD) to assist owners whose homes were damaged by the floods in 2015, 2016, and/or Hurricane Harvey (2017) to relocate outside the threat of flooding.

To view the Buyout Program Guidelines, visit the Harris Recovery website:
https://harrisrecovery.org/buyout-program/

2. Single Family New Construction Program

The Single-Family New Construction Program is designed to address the affordable housing shortage that was made worse by Hurricane Harvey. Harris County will develop new, affordable, single family housing units as well as purchase single-family homes for rehabilitation and resale. Homes rehabbed or built through the Single-Family New Construction Program will remain affordable to low- and moderate-income residents. This program also includes funds for down payment assistance that can be used by eligible participants to help purchase the homes built through the program.

To view the Single-Family Construction Guidelines, visit the Harris Recovery website:
https://harrisrecovery.org/wp-content/uploads/2019/05/Harris-County_Single-Family-New-Construction_Guidelines_FINAL_050119.pdf

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21.1.1 BUYOUT PROGRAM

The Harris County Voluntary Buyout Program is jointly operated through the Harris County Community Services Department (HCCSD), the Harris County Engineering Departments Real Property Division (HCRPD), and the Harris County Flood Control District (HCFCD) to assist owners whose homes were damaged by the floods in 2015, 2016, and/or Hurricane Harvey (2017) to relocate outside the threat of flooding.

WHAT ARE THE GOALS OF THE PROGRAM?

- Assist owners whose homes were damaged by the floods in 2015, 2016, and/or Hurricane Harvey (2017) to relocate outside the threat of flooding
- Reduce the risk and costs associated with repetitive flooding.
- Relocates families to areas with a reduced risk of future flooding.
- Eliminates future flood damages and health and safety risks for owners and rescuers.

WHO DOES THIS PROGRAM HELP?

- Homeowners residing in areas identified by the HCFCD as "hopelessly deep" in the flood plain.
- Properties that were damaged by the floods in 2015, 2016 and/or Hurricane Harvey (2017)
- Low-to Moderate Income (priority)
- Urgent Need (Homeowners that are above the Moderate-Income level)

WHAT BENEFITS DOES IT PROVIDE?

While HCCSD and HCFCD are working together, both organizations offer two separate buyout programs.

Listed below are HCCSD's Project Recovery Buyout Program Incentives and Additional Assistance to homeowners who live in areas most prone to the hardest impacts and slowest recovery from a disaster.

- Proceeds from the sale of your home (purchase price based on pre-storm fair market value)
- Replacement Housing Incentive – funds provided for purchasing a replacement home (amount is based on sales price of 3 active comps in today's real estate market)
- Locality Incentive of $19,779 – funds provided for purchasing a replacement home located within Harris County and outside the 100-year flood plain

Additional Assistance to Homeowners

- Moving Cost Stipend of $5,000 – funds provided that can be used towards moving expenses
- Down Payment Assistance – funds provided to low to-moderate income buyers who secure a loan to purchase a replacement home
- Closing Costs – funds provided to pay customary and reasonable closing costs on behalf of buyer who is purchasing a replacement home (up to 10% of the sales price of replacement home) **For example:**

1. If homeowner does not owe anything on their current home, they should not owe anything on their replacement home.
2. If homeowner owes $10,000 on their current home, they should only owe $10,000 on their replacement home.

- Rehabilitation Incentive -Provided to those that purchase a replacement home that needs repairs.
- Down Payment Assistance and Closing Costs -Provided to those that purchase a replacement home and need gap funding.

Total Assistance Capped at FHA Mortgage Limits - $331,200.00

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To view the Buyout Program Guidelines, visit the Harris Recovery website:
https://harrisrecovery.org/buyout-program/

21.1.2 Single Family New Construction Program

The Harris County Single Family New Construction Program (SFNCP) will replace affordable single-family housing stock by developing new housing in areas of reduced risk of flooding. To meet this challenge, Harris County will implement innovative solutions for promoting and partnering with local homebuilders to create new inclusive communities that offer a wide variety of housing choice and construction solutions.

Funding for this program is made available through the Department of Housing and Urban Development's (HUD) Community Development Block Grant Disaster Recovery (CDBG-DR) Funds. The primary goal of this program is to preserve and increase affordable housing in Harris County while meeting the requirements set by the CDBG-DR National Objectives associated with the SFNCP.

- HCCSD's homebuyer programs are designed to assist eligible, low-income applicants to purchase decent, safe, and sanitary housing with financial assistance for down payment, closing cost, and mortgage assistance. These funds for assistance (which constitute the "direct CDBG-DR subsidy") are made available in the form of deferred and 10 loans. Deferred and forgivable loans are loans that do not need to be repaid until the end of the affordability period. If the homebuyer complies with the affordability requirements (described below), then the loan is forgiven at the end of the affordability period.

- The length of the affordability period for a CDBG-DR new single family -assisted homebuyer unit under a recapture provision will be ten (10) years pursuant to the County's CDBG-DR Single Family New Development Program Guidelines.

To view the Single-Family Construction Guidelines, visit the Harris Recovery website:
https://harrisrecovery.org/wp-content/uploads/2019/05/Harris-County_Single-Family-New-Construction_Guidelines_FINAL_050119.pdf

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22. Contact Information

Harris County Community Services Department

8410 Lantern Point

Houston, Texas 77054

Website: https://csd.harriscountytx.gov/Pages/DAP.aspx

Email: dapcedd@csd.hctx.net

Phone Number: 832-927-4956

E-Fax: 832-927-0564

The provisions of the guidebook may be amended or exceptions granted, as determined and approved in writing by the Director of the Harris County Community Services Department, by order of the Harris County Commissioners Court, and/or in accordance with the requirements dictated by the Texas General Land Office, or the U.S. Department of Housing and Urban Development. All changes and waiver requests for DR Programs will be submitted and approved by the GLO.

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23. APPENDICES

DocuSign Envelope ID: E99FF5D9-8190-4A3F-A854-773EE6F112A2

Appendix A – "80% Area Median Income Chart"

Household Size	80% Area Median Income (AMI)
1 - Person	$44,150
2 - Person	$50,450
3 - Person	$56,750
4 - Person	$63,050
5 - Person	$68,100
6 - Person	$73,150
7 - Person	$78,200
8 - Person	$83,250

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Appendix B – "List of HUD Approved Housing counseling agencies"

Click link to view an updated list of HUD-approved housing counseling agencies in the Houston area.

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Appendix C – "Technical Guide"

Click link to view Technical Guide for Determining Income and Allowances for the Home Program

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Appendix D – "Pitfalls – Most Common Mistakes Lenders Make"

1. Lenders submit contracts with closing dates that are prior to the 35-day processing time that is required

2. Lenders submit loan app package requesting total of $23,800 for down payment specifically

3. Incomplete (piecemeal) file submission (not following checklist)

4. Withholding information pertaining to the loan file (i.e. hiding assets, income or household members)

5. Confusing Harris County down payment assistance program with other programs

6. Trying to utilize Harris County DAP to pay for fees to use for other assistance programs

7. Trying to utilize Harris County to structure the Lender's first lien loan

8. Not attending training. Not reading the guidebook

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Appendix E – "Minimum Property Standards"

The Harris County Minimum Property Standards have been designed to include and expand on the requirements of the U.S. Department of Housing and Urban Development's (HUD) Section 8 Housing Quality Standards (HQS) and meet the requirement to establish minimum property standards under the HOME Investment Partnerships Program.

The standards in this document apply to any housing projects that receive funding through the HOME Program, the Community Development Block Grant Program, or other CSD funds made available for the purpose of acquiring, rehabilitating or constructing housing. Many of the requirements and standards of this document exceed the requirements of the HUD Section 8 HQS. The intent of these requirements is to establish minimum standards and criteria for the health and safety of the home's occupants. All Single Family and Multi-family housing units including senior and special needs housing that receive federal assistance through CSD may be inspected prior to, during construction, and upon completion of construction depending on the type of activity, for compliance with these requirements.

Click here to view **Minimum Property Standards**

Excerpt from "Harris County Minimum Property Standards" Document:
The Harris County Minimum Property Standards have been designed to include an expansion on the requirements of the U.S. Department of Housing and Urban Development's (HUD) Section 8 Housing Quality Standards (HQS) and meet the requirement to establish minimum property standards under the HOME Investment Partnerships Program.
The standards in this document apply to any housing projects that receive funding through the HOME Program, the Community Development Block Grant Program, or other CSD funds made available for the purpose of acquiring, rehabilitating or constructing housing. Many of the requirements and standards of this document exceed the requirements of the HUD Section 8 HQS. The intent of these requirements is to establish minimum standards and criteria for the health and safety of the home's occupants. All Single Family and Multi-family housing units including senior and special needs housing that receive federal assistance through CSD may be inspected prior to, during construction, and upon completion of construction depending on the type of activity, for compliance with these requirements.

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Appendix F – Housing Quality Standards"

Click here to view Housing Quality Standards (HQS) FAQ
Click here to view HQS Checklist

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COMPLAINT PROCESS

Purpose

This complaint process provides for the prompt review and equitable disposition of complaints alleging violations of the CDBG, ESG, or HOME Program. These procedures are used by Harris County Community Services Department (HCCSD) and by all of its sub recipient agencies.

General Policy

1. A complaint, as recognized by this process, is defined as an individual or organization's allegation of a violation of: the Housing and Community Development Act; Stewart B. McKinney Homeless Assistance Act; or the Title II of the Cranston Gonzalez National Affordable Housing Act; the CDBG, ESG, OR HOME regulations; the County's contract with the U.S. Department of Housing and Urban Development; and the HCCSD contracts with its sub recipient agencies. A complaint must be filed within one hundred and eighty (180) days of the alleged occurrence.
2. The person or organization filing a complaint will be free from restraint, coercion, discrimination, or reprisal. Complaints are not considered as reflecting unfavorably on either the complainant or management but are to be considered the expression of a lawful right.

Complaints not covered by this procedure

1. Complaints alleging discrimination because of race, color, national origin, religion, sex, family status, or disability, are not covered by this procedure. Such a complaint must be filed directly with the U.S. Department of Housing and Urban Development.
2. All information and complaints involving allegations of fraud, abuse or other criminal activity shall be reported directly and immediately to the Director of HCCSD, 832-927-4700.
3. Complaints that do not allege a violation of the Acts and Regulations cited above.

Procedure

1. Applicants are encouraged to resolve complaints informally by talking with the Sub recipient, or the Program Administrator. However, if an applicant decides to pursue a complaint formally, the complaint must be submitted to HCCSD in the manner described below.
2. The complainant must first file a written and signed Grievance Information Form with the HCCSD. The complainant may simultaneously pursue resolution of the complaint through the internal complaint procedures of the sub recipient agency or through the federal agencies having jurisdiction over the substance of the complaint (U.S. Department of Housing and Urban Development).
3. Upon receipt of the complaint by HCCSD, the complainant will be provided written notification that the complaint has been received and the timetable under which it will be processed. The complainant may request a hearing within forty-five (45) days of the receipt of the complaint by HCCSD. The complaint officer or person designated for this purpose will attempt to reach an informal resolution of the complaint prior to the hearing. The entire complaint process must be completed within ninety (90) calendar days of the receipt of the complaint by HCCSD.

Grantee Contact: Harris County Community Services Department (HCCSD)
Complaint Officer
8410 Lantern Point
Houston, Texas 77054
Telephone: 832-927-4700 | TDD: 713-695-2395

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GRIEVANCE INFORMATION FORM

PLEASE PRINT OR TYPE ALL INFORMATION

I. Complainant: Please provide the following information concerning the person or organization filing the complaint.

Name: _____

Address: _____

Telephone Number(s): Home _____ Work: _____

II. Action Complained of: Please describe in detail the action(s) that you are complaining about (attach additional pages if necessary).

_____

_____

_____

_____

Do you believe that your complaint involves a violation of the federal regulations, the grant or other agreement under the Housing and Community Development Act?

____ Yes _____ No

If yes, please reference the provision(s) violated:

_____

_____

III. Respondent(s): Please name the person(s) or organization(s) that you believe to be responsible for the action(s) that you complained about:

Name(s): _____

Address(es): _____

Explain how each Respondent is responsible for the action(s) that you are complaining about (attach additional pages if necessary).

_____

_____

_____

_____ _____ _____

Complainant's Printed Name Signature Date

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EQUAL OPPORTUNITY IS THE LAW

Federal law prohibits housing discrimination based on race, color, national origin, religion, sex, family status, or disability. If you have been trying to buy or rent a home or apartment and you believe your rights have been violated, you can file a fair housing complaint.

There are several ways to file a complaint:

- You can file a complaint online at www.hud.gov/complaints/housediscrim.cfm
- You can call toll-free 1-800-669-9777
- You can complete the attached form and drop it off at your local HUD office or mail it to:

  Office of Fair Housing and Equal Opportunity
  Department of Housing and Urban Development
  Room 5204
  451 Seventh St. SW
  Washington, DC 20410-2000

- You can write a letter with:
  Your name and address
  The name and address of the person your complaint is about
  The address of the house or apartment you were trying to rent or buy
  The date when this incident occurred
  A short description of what happened

  Then mail it to the Fair Housing Hub closest to you:

  Fort Worth Regional Office of FHEO
  U.S. Department of Housing and Urban Development
  801 Cherry Street, Unit #45
  Suite 2500
  Fort Worth, Texas 76102
  817-978-5900
  1-800-669-9777
  TTY 817-978-5595

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Harris County
Community Services Department

On November 17, 2020, Harris County Community Services Department conducted a public hearing (virtual due to COVID-19) regarding the DAP Program Guidelines. The hearing was attended by 18 individuals. The public comment period ended December 2, 2020 at 5:00 pm.

Comments from the public hearing were as follows:

1.

Commenter: Anonymous	Submitted By: Public Hearing Q&A Category: Property/Program Scope & Mission
Commenter Question/Comment	If the home is in a gentrified area in Houston or Harris County, is the home allowed to be acquired?
Program Administrator Answer	Yes, if the property meets program eligibility standards and is located within unincorporated areas of Harris County or in one of the twelve cooperative cities.

2.

Commenter: Anonymous	Submitted By: Public Hearing Q&A Category: Eligibility
Commenter Question/Comment	Are Houston residents eligible for the Down payment Assistance Program?
Program Administrator Answer	Yes, Houston residents are eligible for the DAP program.

3.

Commenter: Anonymous	Submitted By: Public Hearing Q&A Category: Borrower Qualification/Buyer Investment
Commenter Question/Comment	I'm concerned about earnest money increase. Is there a reason for the increase?
Program Administrator Answer	Clarification DAP does not have an earnest money requirement. DAP's buyer contribution requirement however has increased. A buyer contribution can include appraisal fees, inspection fees and earnest money.

TABLE 1: COMPONENTS OF BUYER INVESTMENT

	Flat Fee Ex. 1: Builder Earnest Money	Flat Fee Ex 2: Builder Earnest Money	1% of $160,000 Low end of Sales price range	1% of $238,000 High end of Sales price range
1. Earnest money	$99	$500	$1600	$2380
2. TREC Inspection	$375	$375	$375	$500
3. Appraisal	$375	$375	$375	$500
Total Buyer Investment	$849 *	$1,250	$2,350	$3,380

*Exception may be granted on a case-by-case basis.

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Additional questions/comments received during the comment period:

1.

Commenter: Alyson Griffin, Cross Country Mortgage	Submitted By: Email 11/20/2020 Category: DAP Loan Application Submittal
Commenter Question/Comment	Previously, the clients file was not required to have conditional loan approval from the lender before submitting u/w review committee hence the u/w review was to make sure the applicant meet the DPA guidelines and not act in the capacity of mortgage lender.
Program Administrator Answer	DAP's requirement to submit a complete loan file has not changed. In the past concessions were made and incomplete files were accepted to expedite the process and work alongside the lenders process. However, this year emphasis to ensure lenders understand and submit a complete and valid file to the program administrator has been more clearly defined. This shift will allow the Program Administrator to eliminate spending valuable time reviewing incomplete loan files, improve their efficiency when reviewing complete loan files and increase their effectiveness in processing DAP loan approvals. *Guidebook Reference: 5.4*

2.

Commenter: Alyson Griffin, Cross Country Mortgage	Submitted By: Email Category: Property/Flood Zone
Commenter Question/Comment	Please clarify - Property may not be in the 100-year flood zones- the program has always allowed a home to be closed if just part of the lot is in the flood zone but not the house.
Program Administrator Answer	Clarification Property may be in 100-year flood zone. Harris County does not make a determination of a home or lot in relationship to flood determination. We accept the Flood Determination Certification issued by FEMA Flood Services and provided by the Lender. *Guidebook Reference: 8.5.4*

3.

Commenter: Alyson Griffin, Cross County Mortgage	Submitted By: Email Category: Underwriting Review Committee
Commenter Question/Comment	My understanding is that the purpose of the underwriting review is to ensure that the applicant has followed all of the guidelines as stated in the DAP Manual for an individual to receive assistance Now they are requiring the UW committee to review the whole mortgage file? So, Harris county will be u/w the mortgage lenders file? Are they a DE (direct endorsement) underwriter with the background to understand and knowledge to be able to u/w a mortgage file? Why are they not

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	reviewing the file just to make sure the file is complainant within DPA guidelines?
Program Administrator Answer	The Program Administrator presents each DAP loan application summary along with supporting documentation to the HCCSD Underwriting Review Committee (URC) members who are from various disciplines with an array of program related experiences including affordable housing planning, policy, finance, and development. Selecting a diverse group of voting members from other sections within HCCSD is intentional. It allows for an expansive knowledge base, wisdom and insight while maintaining impartial input. Members of the committee analyze each loan application package to confirm that applicant meets lender guidelines, DAP eligibility guidelines, regulatory compliance, debt-to-income ratio requirements and general affordability parameters. *Guidebook Reference: 9.10*

4.

Commenter: Alyson Griffin, Cross Country Mortgage	Submitted by: Email Category: Code of Conduct/Reasons for Termination
Commenter Question/Comment	Harris county needs to define those last two bullet points – slander of program and/or defamation of character of program staff – engages in unprofessional and/or bulling communications or behavior towards program staff.
Program Administrator Answer	Reasons for Termination HCCSD reserves the right to terminate participation to lenders, loan originators, mortgage brokers, real estate agents/brokers and title companies who in person or by way of electronic platforms (email, text, social media apps): -engages in slander of program and/or defamation of character of program staff -engages in unprofessional and/or bullying communication or behavior towards program staff These reasons for termination are self-explanatory. *Guidebook Reference: 10.3.5*

5.

Commenter: Santiago Panama, NB Elite Realty	Submitted by: Email 11/20/2020 Category: Program Scope & Mission
Commenter Question/Comment	Is the program really improving?
Program Administrator Answer	Yes, Harris County CSD is amending the DAP Guidebook to comply with applicable HUD requirements and other regulatory authorities to ensure efficient and improved program implementation. The revised Guidebook: 1. Explains How DAP is Calculated 2. Added a Process Diagram 3. Defines what constitutes a VALID loan file 4. Moved the HCIS Inspection to the beginning of the DAP application process versus being performed at the end of the process very near closing. This benefits both the buyer and the seller because the properties

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	eligibility, including any deficiencies are determined early in the transaction. 5. Seller may provide Home Warranty coverage to satisfy HUD's five (5) year useful life expectancy requirement instead of replacing an appliance or unit (ex. A/C, water heater). Currently, DAP pays for 3 years of home warranty coverage. Seller has the option to provide any additional home warranty coverage needed to satisfy HUD's requirement. *Guidebook Reference: 9.11, 5.0, 5.4.1, 8.5.1*

6.

Commenter: Santiago Panama, NB Elite Realty	Submitted by: Email 11/20/2020 Category: Program Scope & Mission
Commenter Question/Comment	Is the program helping the families in need, or just trying to discourage people from using the program?
Program Administrator Answer	Yes, the DAP program is helping income eligible borrowers in Harris County.

7.

Commenter: Alyson Griffin,	Submitted by: Email 11/20/2020 Category: Borrower Qualifications/Income
Commenter Question/Comment	CSD decided in fall of 2019 that they would use the income calculations of the housing authority versus using CSD calculations since the housing authority was a federal agency that is under the same guidance of HUD for income This needs to be added to the policy manual so there is no misunderstandings
Program Administrator Answer	Clarification: In Section 6.4 titled Income Limits, the words "Section 8" appeared in the first sentence in error. Both have been removed. See below for revised sentence. HCCSD determines income eligibility based on HUD's definition of annual gross income using ~~Section 8~~ the Part 5 (24 CFR§5.609) definition found in HUD's "Technical Guide for Determining Income and Allowances for the Home Program" ("Technical Guide"). Projected annual household income is used to determine whether an applicant is above or below published low-income limits. Exceptions may be granted on a case by case basis. In 2019, one DAP loan application was granted an exception to utilize the HCV calculation. *Guidebook Reference: 6.4*

8.

Commenter: Alyson Griffin,	Submitted By: Email Category: Property/Inspections
Commenter Question/Comment	CSD has not had the requirement of MPS inspections in the past and not sure why they are requiring that Harris county go and inspect the initial MPS inspection on "proposed " construction on a property when a file has not even able to be submitted to CSD? This should not be a requirement of the program. They do a final inspection only.

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Program Administrator Answer	The 2019 Guidebook states an HQS or Single-Family Home Inspection is required to be conducted by CSD. HCCSD has always conducted a Single-Family Home inspection which is synonymous with the MPS inspection. Excerpt from "Harris County Minimum Property Standards" Document: The Harris County Minimum Property Standards have been designed to include an expansion on the requirements of the U.S. Department of Housing and Urban Development's (HUD) Section 8 Housing Quality Standards (HQS) and meet the requirement to establish minimum property standards under the HOME Investment Partnerships Program. The standards in this document apply to any housing projects that receive funding through the HOME Program, the Community Development Block Grant Program, or other CSD funds made available for the purpose of acquiring, rehabilitating or constructing housing. Many of the requirements and standards of this document exceed the requirements of the HUD Section 8 HQS. The intent of these requirements is to establish minimum standards and criteria for the health and safety of the home's occupants. All Single Family and Multi-family housing units including senior and special needs housing that receive federal assistance through CSD may be inspected prior to, during construction, and upon completion of construction depending on the type of activity, for compliance with these requirements. CSD performs an MPS inspection after builder confirms completion of construction and home is ready to be inspected. If deficiencies are found a re-inspection is required to ensure all deficiencies are satisfied. *Guidebook Reference: 8.5.2*

9.

Commenter: Gabrielle Allen, 1 Oak Real Estate	Submitted By: Email Category: Property/Lead Based Paint
Commenter Question/Comment	Homes built after 1978 requirement - The 1978 portion is untrue as residential transactions have an addendum that allow homes to be purchased before 1978. The lead-based paint disclosure form is a required form to be issued to all tenants and potential buyers for residential properties built before 1978. The lead-based paint was outlawed due to the hazard it poses when it chips.
Program Administrator Answer	Homes built pre-1978 are eligible to participate in the Harris County CSD DAP program upon confirmation that Lead-Based Paint (LBP) is not present inside or outside the home. *Guidebook Reference: 8.4*

10.

Commenter: Santiago Panama, NB Elite Real Estate	Submitted By: Email Category: Code of Conduct/Grievance
Commenter Question/Comment	Why was the Grievance Form removed? I find that the users of the program should have the right to let Harris County if they feel that they

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	have been treated unfairly by Harris County public servers, and that form should be part of it.
Program Administrator Answer	Clarification The grievance information form was removed to edit the form a few years ago. Once the forms were edited, they were never added back to the Guidebook. Instead, the Borrower Grievance information and HUD Brochure have been being provided to applicant by Program Administrator during borrower(s) interview. Borrower Grievance information will now be included in the 2021 Guidebook. Lender Grievance information has been previously provided to lenders at HCCSD's Lender Training as an insert to the Guidebook but will now be included in the 2021 Guidebook. *Guidebook Reference: Appendix G*

11.

Commenter: Santiago Panama, NB Elite Real Estate	Submitted By: Email Category: Processing Timeline
Commenter Question/Comment	I also heard on the call that the approval process now takes over 70 days and the staff on the call seemed not to understand the question, they keep saying 35 days only.
Program Administrator Answer	The DAP processing timeline allotted to secure approval and disburse federal funds may take up to 35 days, provided there are no external delays. Please note that the 35 days is measured from the time Lender submits a completely processed and approved file. In an effort to decrease DAP processing timeline, Program Administrator will no longer begin processing incomplete lender DAP loan application packages. *Guidebook Reference: 5.4.1*

12.

Commenter: Alyson Griffin, Cross Country Mortgage	Submitted By: Email Category: Processing Timeline
Commenter Question/Comment	The CSD department was to improve the processing time from the previous administration however they have tripled the amount of time it will take to process a file thru the DPA program. Below is the "Goal" of the program to increase homeownership if that truly is the goal then they need to go back to how the program was run prior, processing in 3 weeks to this new group. Attached is the flow chart how it use to run. Delaying the processing time to close a file from 45 days to over 65 days the process needs to be reduced to 21 days. Harris county will now require the lender to submit an "approved file" (30 days), including the appraisal, vs. previously, where once we had a signed contract, we submitted a package to Harris county within 3 to 4 days to start the process. The process has always worked simultaneously, not consecutively. Now, the process will take a minimum of 70 days, to close a DPA file. Prior to the current management, files could be closed as soon as 3 weeks. They have now tripled the processing time. The buyers Earnest money is now at risk, as, per most contracts, the buyer has 21 days to obtain financing (e.g., finance addendum on contract), that is, they need to get DPA approval that won't even start the

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	process until at least 30 days, then add another 20 days from DPA process.
Program Administrator Answer	The DAP processing timeline allotted to secure approval and disburse federal funds may take up to 35 days, provided there are no external delays. DAP's requirement to submit a complete loan file has not changed. In the past, concessions were made, and incomplete files were accepted in an attempt to expedite the process. By accepting incomplete files, DAP processing and loan processing did occur simultaneously, but this method places undue work on Program Administrator who spends time reviewing incomplete data and documentation, drafting emails to lender to notify lender what is missing, inaccurate, unsigned, etc. However, this year emphasis to ensure lenders understand and submit a complete and valid file to the program administrator has been more clearly defined. By receiving a complete file, we anticipate a faster DAP processing timeline which is why we reduced the processing time from 45 days to up to 35 days. To protect the buyer's earnest money from being at risk an amendment to the 3rd Party Financing Addendum may be required to extend the number of days the borrower has to secure financing (ex. Instead of 21 days, consider 45 days). *Guidebook Reference: 5.4.1*

13.

Commenter: Alyson Griffin, Cross Country Mortgage	Submitted By: Email Category: Borrower Qualification/Buyer Investment
Commenter Question/Comment	Harris county has a minimum required investment (MRI) of $1,000, vs. the $500 previously. Additionally, they will no longer allow third party fees paid by the buyer, e.g., Appraisal fees or 3rd party inspection fees to be included in the MRI. Previously, a buyer could include the earnest money, appraisal fee and 3rd party inspection fees as part of MRI… My disabled families will be harmed and discouraged from becoming homeowners.
Program Administrator Answer	Clarification The word "not" was included in error. The word has been removed and the sentence now reads: "The Homebuyer shall make a contribution of $1000 towards the down payment and closing costs by the close of escrow. This includes items such as earnest money, TREC Inspection and appraisal fees." TABLE 1: COMPONENTS OF BUYER INVESTMENT *Exception may be granted on a case-by-case basis. Exceptions may be granted on a case by case basis. *Guidebook Reference: 7.7*

	Flat Fee Ex. 1: Builder Earnest Money	Flat Fee Ex 2: Builder Earnest Money	1% of $160,000 Low end of Sales price range	1% of $238,000 High end of Sales price range
1. Earnest money	$99	$500	$1600	$2380
2. TREC Inspection	$375	$375	$375	$500
3. Appraisal	$375	$375	$375	$500
Total Buyer Investment	$849 *	$1,250	$2,350	$3,380

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14.

Commenter: Alyson Griffin, Cross Country Mortgage	Submitted By: Email Category: Borrower Qualification/Buyer Investment
Commenter Question/Comment	By Harris county increasing required investment this will severely impair elderly /disabled buyers' ability to become a homeowner. Over the years I have help many elderly / disabled families achieve homeownership thru this program that only invested 350. By changing this policy wouldn't this create 'disparte impact"?
Program Administrator Answer	It is not the intention of the program to impair a buyer's ability to receive DAP assistance and achieve homeownership. Lenders verify that buyers have funds available to complete a purchase transaction. These funds include money for things like earnest money, appraisal fee and inspection fee all of which count towards the buyers required investment. These items, when combined generally add up to $1,000 and in most cases exceed $1,000. See table below. In cases where earnest money + appraisal fee + inspection fee do not total $1,000 an exception may be granted.

TABLE 1: COMPONENTS OF BUYER INVESTMENT

	Flat Fee Ex. 1: Builder Earnest Money	Flat Fee Ex 2: Builder Earnest Money	1% of $160,000 Low end of Sales price range	1% of $238,000 High end of Sales price range
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3. Appraisal	$375	$375	$375	$500
Total Buyer Investment	$849 *	$1,250	$2,350	$3,380

*Exception may be granted on a case-by-case basis.

Guidebook Reference: 7.7

15.

Commenter: Alyson Griffin, Cross Country Mortgage	Submitted By: Email Category: Borrower Qualification/Employment History
Commenter Question/Comment	Why is Harris county adding a requirement for two-year continuous employment history with at least 6 months on current job? The original program only required same line of work for 6 months. This is a higher standard than FHA *or* conventional lending standards. Buyers can have an up to 6-month job gap, and still be approved for a home loan.
Program Administrator Answer	Clarification The language describing the six-month employment requirement has been changed to be in alignment with FHA guidelines which states: • The Borrower has been employed in the current job for at least six months (same line of work and field); and • A two-year continuous work history using standard or alternative employment verification. Exceptions may be granted on a case-by-case basis. *Guidebook Reference: 6.1*

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16.

Commenter: Alyson Griffin, Cross Country Mortgage	Submitted By: Email Category: Borrower Qualification/Employment History
Commenter Question/Comment	If the applicant doesn't have the two years history, why are they allowing this to be an "exception" on a case by case. Making it "subjective" wouldn't that allow Harris county management to discriminate? By changing this policy wouldn't this create "disparate impact"?
Program Administrator Answer	An example of when an exception for the 2-year work history could be granted is when a buyer provides transcripts of training and education demonstrating qualification for a new position, or employment.

17.

Commenter: Alyson Griffin, Cross Country Mortgage	Submitted By: Email Category: Borrower Qualification/Employment History
Commenter Question/Comment	Requiring more stringent income/employment guidelines, which excludes Hispanics and Women of Color at a higher percentage. Harris Co. will now require the applicant have two years continuous, satisfactory and verifiable employment history, with at least 6 months with the current employer. This is a higher standard than FHA *or* conventional lending standards. Buyers can have an up to 6-month job gap, and still be approved for a home loan. Harris county has never had this requirement. Why add this now? Are they deliberately being discriminatory? They have never had the requirement that the buyer had to be on the same job for 6 months with their current employer.
Program Administrator Answer	Clarification The language describing the six-month employment requirement has been changed to be in alignment with FHA guidelines which states: • The Borrower has been employed in the current job for at least six months (same line of work and field); and • A two-year continuous work history using standard or alternative employment verification. Exceptions may be granted on a case-by-case basis *Guidebook Reference: 6.1*

18.

Commenter: Alyson Griffin, Cross Country Mortgage	Submitted By: Email Category: Borrower Qualification/Credit
Commenter Question/Comment	Why is Harris county requiring a higher Down payment on FHA files with FICO scores between 580 to 639 than FHA requires? Previous policy was that only one score had to be at 580 or above with and nothing about additional down payment requirements Harris county has misstated the FHA guidelines. FHA doesn't require 10% down payment for fico scores between 580 to 639, but now Harris county is requiring this. Why? FHA requires 10% of the buyers own money only for FICO scores below 580.
Program Administrator Answer	Clarification

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	Sentence has been reworded for clarification. The intent of the statement below is not to require more stringent requirements than FHA, but instead to allow more latitude. -If the borrower(s) credit score is between 580-639 and Lender approves borrower(s) for financing that requires 10% down, DAP program will allow down payment assistance award of 10% (not including closing costs and other incentives). *Guidebook Reference: 6.1*

19.

Commenter: Alyson Griffin Cross Country Mortgage	Submitted By: Email Category: Code of Conduct/Grievance
Commenter Question/Comment	Why is Harris county not holding themselves to the same standard they are now proposing to hold their partners too? Grievance information form and Equal opportunity is the law form has been removed with the new administration. why has Harris County now added a standard of conduct for their partners, while removing their own accountability to a standard of conduct.
Program Administrator Answer	Clarification The grievance information form was removed to edit the form a few years ago. Once the forms were edited, they were never added back to the Guidebook. Instead, the Borrower Grievance information and HUD Brochure have been being provided to applicant by Program Administrator during borrower(s) interview. Borrower Grievance information will now be included in the 2021 Guidebook. Lender Grievance information has been previously provided to lenders at HCCSD's Lender Training as an insert to the Guidebook but will now be included in the 2021 Guidebook. *Guidebook Reference: Appendix G*

20.

Commenter: Alyson Griffin	Submitted By: Email Category: Borrower Qualification/Income
Commenter Question/Comment	Restricting the lenders DTI to 50% with have an adverse effect on single female of color head of household. 2019 manual stated the file could be approved if the DTI exceed 42% with a du/lp AUS findings Here, they lowered the DTI on the AUS 50%. This primarily harms single Women of Color. They typically have more student loans. When Harris county would qualify the buyers prior to 2019, they would exclude the payment if the loans were deferred. As a lender, my DTI might be at 55% due to the requirements of FHA/CNV, but when Harris county excluded the payment, that ratio would be at 42%
Program Administrator Answer	Clarification Prior to 2019 a DTI that exceeded 42% would result in a DAP loan application being declined. Currently a DTI above 42% may be acceptable with a DU/LP AUS Finding. CSD has elected not to exceed 50% DTI. It is CSD's position that extending the DTI ratio above 50% could cause a

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financial burden and hardship to a first-time home buyer and can place them at higher risk of a mortgage default.
Program administrator calculates student loans based on manual underwriting or AUS requirements for deferred student loans in addition to Lenders credit overlay requirements. Lender requirements may vary from company to company.
The DAP Program does not exclude student loan payment if the loan is deferred or in forbearance. DAP would follow the agencies and investors standard underwriting requirement:

Agency / Investor	Guidelines Requirement
FHA	Deferred or forbearance use 1% of the loan balance
VA	Deferred or forbearance use 5% of the loan balance
USDA	Deferred or forbearance use .50% of the loan balance divided by 12
Fannie Mae Conventional	Deferred or forbearance use 1% of the loan balance
Freddie Mac Conventional	Deferred or forbearance use .50% of loan balance

21.

Commenter: Alyson Griffin, Cross Country Mortgage	Submitted By: Email Category: Processing Timeline
Commenter Question/Comment	Harris County is now requesting a 10 day turn around for wire/ funds disbursement. this was only 3 days currently and why do they need that much time? So that means in the 35 days they have allowed to process the file the Harris county has less than 25 days to process the file so a final CD can be completed and then wire ordered? Is it because you don't want to do this program and reallocate these funds for another program by discouraging the community from using the program?
Program Administrator Answer	Turnaround time has been revised from 10 days to 5 days. When forecasting a closing date, from the day that the Program Administrator receives a balanced and approved Closing Disclosure from the Lender, expect a 5-day turnaround for wire/funds disbursement. *Guidebook Reference: 9.13*

22.

Commenter: Alyson Griffin, Cross Country Mortgage	Submitted By: Email Category: Property/Regulatory
Commenter Question/Comment	Why was the sales price not increase to 238,000 limits for new construction when HUD put out there notice in April 2020? This has harmed family's abilities to move to better neighborhoods. This should be increased at the same time CSD adjusts for the 2020 income limits.
Program Administrator Answer	The maximum sales price for single-family new construction homes will be adhered to in accordance with the annual HUD publication unless CSD

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	elects to utilize the market study method to determine the maximum sales price. The DAP guidebook currently lists the maximum sales price for single-family new construction homes as $238,000 in alignment with HUD's current publication. *Guidebook Reference: 8.2*

23.

Commenter : Gabrielle Allen, 1 Oak Real Estate	Submitted By: Email Category: Program Scope & Mission
Commenter Question/Comment	I would like to know this program is community friendly?
Program Administrator Answer	Yes, the primary goal of this program is to increase the homeownership rate in Harris County as well as meet the National Objectives of the federal funding sources that are used to provide this assistance. *Guidebook Reference: Introduction*

24.

Commenter: Ashley Esparza, HTX Home Team	Submitted By: Email Category: Property/Affordability
Commenter Question/Comment	The biggest issue has been qualifying buyers for DPA programs to help them transition into home ownership… We are in a market where it is impossible to find a pre-existing home with no major issues under $200,000… It is a proven fact that new homes under $238,000 do not exist.
Program Administrator Answer	This program is designed to utilize mortgage lenders and banks in the delivery of down payment assistance to low-to-moderate income homebuyers in Harris County. Our participating lenders because of their knowledge and training of the DAP program and its requirements substantially increases prospective buyers' opportunity to qualify for available funds. Real Estate Professionals are encouraged to attend DAP training workshops which are offered monthly. Realtors and Lenders play a key role in qualifying buyer's using DAP to achieve Homeownership. Home Sales according to HAR.com, as of 12/12/2020 indicate there were 1,188 new construction homes sold for $238,000 or less in Harris County.

25.

Commenter: Verlisa, Covenant Capital	Submitted By: Email Category: Borrower Qualification/Employment History
Commenter Question/Comment	Having access to mortgage lenders that allow for 12 months of consistent employment history removes barriers to homeownership that many national banks cannot (do not) offer due to a 2-year employment history policy requirement. Independent mortgage lenders have responsibly addressed this barrier of employment history that national banks are not willing to accommodate. Why should we regress?
Program Administrator Answer	The DAP Program has elected to follow the standard industry underwriting practice (HUD, FHA, VA, Fannie Mae and Freddie Mac) of 2 years employment history requirement and/or the requirement of an AUS DU/LP findings.

26.

Commenter: Amber Burton Alfred, Director of Governmental Affairs & Advocacy	Submitted By: Email Category: General
Commenter Question/Comment	I have been contacted by numerous HAR members and affiliates regarding the proposed changes to the Harris County DPA Manual/Guidebook. They have also submitted comments on outlining their issues and concerns. Many are concerned that the guidelines are more stringent than what FHA requires. HAR is committed to working with our members and governmental entities to ensure houses are affordable for all levels of income. We would like to meet with you all to discuss our concerns before this is codified.
Program Administrator Answer	The primary goal of the program is to increase the homeownership rate of low-to-moderate income homebuyers in Harris County. Updates to the guidebook are being made to streamline our processes, be more efficient, work seamlessly with our partners and ultimately help more income eligible borrowers. The Lending Services team hosted a public hearing on November 17 and the comment period ended December 2. Responses to questions and comments will be published on December 18, which will address the concerns that have been brought to your attention. Final approval of the guidebook is anticipated to occur in January. We can meet prior to the final approval.

27.

Commenter: Precinct 1 via Daphne Lemelle, Deputy Director HCCSD	Submitted By: Email Category: Refinance
Commenter Question/Comment	Subordination: further explanation & clarifying wording needed
Program Administrator Answer	If a borrower chooses to refinance their first mortgage a Subordination Agreement must be executed. A subordination agreement is a legal document that reduces the priority of the one lien position (first) on a property relative to another lien (second) position. Harris County holds a second lien position to protect and enforce the affordability restrictions and recapture provision required for borrower receiving down payment assistance. *Guidebook Reference: 12.4*

28.

Commenter: Shad Bogany, Better Homes & Garden, Gary Greene	Submitted By: Email Category: Program Scope
Commenter Question/Comment	Harris County, I believe the new changes will hurt homeownership with first-time home buyers in Harris county. This has always been a good solid program and home prices are escalating and covid-19 has wreaked havoc n employee work records. I think our goal should help every qualified

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	buyer use your program and not excluded buyers. The lenders have the most to lose and it looks as though Harris county guidelines are tougher. We are in tight market most sellers and builders are not going to wait 65 days to close. In a soft market you can dictate horrible terms to a buyer and not in a red-hot market. Prosperity Bank Offers 600 credit score 100% financing no MI and close in 45 days, so why would I use your program? The guidelines are tougher Than fha, fannie and Freddie. Our goal is foster homeownership in the county no to hurt it. This would definitely hurt minority home buyers' communities.
Program Administrator Answer	DAP guidelines are in alignment with industry standards (HUD, FHA, Fannie Mae and Freddie Mac). DAP processing timeline is up to 35-days. The benefit to using the DAP program in the instance of a bank portfolio loan is that the borrower can utilize DAP funds towards closing costs or fees not covered.

29.

Commenter: Gabrielle Allen, 1 Oak Real Estate	Submitted By: Email Category: Processing Timeline
Commenter Question/Comment	Timeline for processing files now 70 days versus when Deborah lee was managing the department it was about 3 weeks… Basically, they don't want to use the funds for homeownership as they are adding requirements to the program to discourage people from participating. Best guess is they want those funds reallocated to multifamily which was not the intent of the funds. I know from working with Deborah lee in the past she let me know that funds had been moved in the past from the homeownership to other projects.
Program Administrator Answer	The DAP processing timeline allotted to secure approval and disburse federal funds may take up to 35 days, provided there are no external delays. DAP's requirement to submit a complete loan file has not changed. In the past, concessions were made, and incomplete files were accepted in an attempt to expedite the process. By accepting incomplete files, DAP processing and the lenders loan processing did occur simultaneously, but this method places undue work on Program Administrator who spends time reviewing incomplete data and documentation, drafting emails to lender to notify lender what is missing, inaccurate, unsigned, etc. This year emphasis to ensure lenders understand and submit a complete and valid file to the Program Administrator has been more clearly defined. By receiving a complete file, we anticipate a faster DAP processing timeline which is why we reduced the processing time from 45 days, to up to 35 days. The primary goal of this program is to increase the homeownership rate in Harris County as well as meet the National Objectives of the federal funding sources that are used to provide assistance. *Guidebook Reference: 5.4.1*

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