

NORTHERN CHEYENNE TRIBAL **HOUSING AUTHORITY**

DOWN PAYMENT AND CLOSING COST **ASSISTANCE PROGRAM POLICY**

These policies and procedures were adopted by the NCTHA
by Resolution # 13- (03) on November 5, 2003.

Policy Statement

The purpose of the Northern Cheyenne Tribal Housing Authority (NCTHA) Down Payment And Closing Cost Assistance Program is to help income eligible Northern Cheyenne Tribal Members access affordable home ownership financing opportunities, in order to purchase single family homes which they intend to use as their primary residence.

The NCTHA's Down Payment and Closing Cost Assistance Program shall comply with all applicable regulations of the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) along with other applicable rules and regulations. The NCTHA Executive Director with the approval of the NCTHA Board of Commissioners shall be responsible for periodically amending this policy to comply with any applicable laws or regulations.

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1. Program Description

The Down Payment and Closing Cost Assistance Program is specifically designed to increase the availability of affordable housing by addressing homeownership on several levels. It combines NCTHA Indian Housing Block Grant (IHBG) funds with private first mortgages; thereby multiplying the number of Northern Cheyenne families that can be assisted with NCTHA's IHBG.

The intent of this Program is to assist on a one-time basis, eligible Tribal member first time homebuyers to purchase single family homes which are to be used as their primary residence for at least five (5) years. The Executive Director of NCTHA must approve all Down Payment and Closing Cost Assistance applications.

- **Eligibility** – The Down Payment and Closing Cost Assistance Program is available to income eligible Northern Cheyenne families, in compliance with applicable NAHASDA restrictions, who are first time home purchasers.
- **Credit** – Down Payment and Closing Cost Assistance Program borrowers must meet the credit requirements of the first mortgage lender (bank/lender). Applicants will be pre-screened to determine credit worthiness. NCTHA will assist applicants in demonstrating that they have stable income and the ability and willingness to meet financial obligations.
- **Affordability** – Down Payment and Closing Cost Assistance funds are intended to help eligible first time homebuyers successfully purchase a home, by helping them pay for the required down payment and loan closing costs. This results in a lower mortgage amount and lower monthly payments.
- **Forgivable Loan** – NCTHA Down Payment and Closing Cost Assistance will be in the form of a one time only forgivable loan with no monthly payments. This loan is gradually reduced over five (5) years, thus converting it to homeowner equity.
- **Allowable Usage of Funds** – Down Payment and Closing Cost Assistance funds may be used to help pay for the required down payment and payment of reasonable loan closing costs associated with the first mortgage, including appraisal, title insurance, surveys, etc. These funds are not intended to help a homebuyer purchase a home valued at an amount higher than what they qualify for, given their income and expenses.
- **Support** – Trained staff will assist eligible applicants in successfully working through the process of making an application to a bank/lender for a first mortgage loan.

- **Counseling** – Borrowers may be required to participate in homebuyers' classes designed to assist new homeowners in understanding and fulfilling the responsibilities of homeownership.

2. Assistance Available

The NCTHA has established and implemented the Down Payment and Closing Cost Assistance Program to assist creditworthy income eligible Tribal Member households in first time purchase of a home. The Down Payment and Closing Cost Assistance loan may help with down payment and closing costs.

Down Payment and Closing Cost forgivable loans are limited to either: the total down payment and loan closing costs, Ten Percent (10%) of the total loan, or a maximum of \$10,000, **whichever is less.**

3. Borrower Eligibility

a. Tribal Restriction

Assistance is only available to enrolled members of the Northern Cheyenne Tribe. However, once eligibility is established, the death of the qualifying Tribal member does not affect the loan.

b. Income Limitations

Participation in the Down Payment and Closing Cost Assistance Program is limited to income eligible families in accordance with NAHASDA. Applicants will be required to provide documentation to verify income eligibility.

c. Home Ownership Counseling Classes

The applicant must successfully complete an NCTHA approved home ownership counseling curriculum. The NCTHA shall work in cooperation with the lender to develop a curriculum for home ownership counseling.

d. First Mortgage Loan

1. The applicant must be able to obtain a mortgage loan with an eligible lender for the maximum affordable amount. The lending institution must be willing to participate in NCTHA's Down Payment and Closing Cost Assistance Program and comply with its requirements. The borrower must sign a Release of Information form, which will enable NCTHA to share information with the lending institution.
2. The lending institution must, as a part of its mortgage loan, require purchase of property insurance; and the lending institution must process the insurance payments through an escrow account.

e. First Home Purchase Requirement

Down Payment and Closing Cost Assistance loans will only be awarded to first time homebuyers.

f. Employees

Employees, agents, officers or elected or appointed officials of the NCTHA are eligible for loans under this program.

g. One-Time Basis

In order to assist as many Tribal families as possible, Down Payment and Closing Cost Assistance loans will only be awarded once per applicant.

4. Ineligibility

- a. Applicants are ineligible for this Program if they fail to meet the eligibility requirements stated above in Section 2; or should they not meet the applicable criteria stated in NCTHA's Admission & Occupancy Policy. Additionally, applicants are ineligible for this Program if they:
- Fail to complete required forms or supply requested information.
 - Commit fraud in connection with any NCTHA program, or fail to disclose previously committed fraud in connection with any NCTHA program.
 - Appear on HUD's list of suspended, debarred and limited denials of participation
 - Have an outstanding debt owed to the NCTHA.

5. Waiting List/ Applicant Pool

- a. Participants for the Down Payment and Closing Cost Assistance Program shall be selected in accordance with the selection criteria described in the NCTHA Admission & Occupancy Policy, subject to the availability of funds.
- b. NCTHA will maintain a list of eligible applicants based on criteria described in the NCTHA Admission & Occupancy Policy.
- c. If funds are unavailable for the Down Payment and Closing Cost Assistance Program, NCTHA may suspend or discontinue accepting applications until funds become available.

6. Reservation of Funds

- a. Down Payment and Closing Cost Assistance funds will be reserved for each approved applicant, upon the NCTHA being notified that the loan application is complete, including a copy of the Earnest Money Agreement and all information required by the First Mortgage Lender. The lender shall notify the NCTHA when a loan application is complete.
- b. Funds will be reserved for up to 60 days and may be extended for up to 30 days at a time.

7. Property Requirements

- a. The borrower must meet the following property related requirements for a minimum of five (5) years:
 1. The property must be the primary residence of the borrower.
 2. The property must be located within NCTHA's area of service as defined in its IHP.
 3. The property must be a single-family residence, including manufactured homes. Mobile homes do not qualify for the program, unless they are attached to permanent foundations.
 4. The initial purchase price of the home may not exceed the Total Development Cost limits established by the NCTHA for the type of single family housing for the area. The NCTHA may use HUD established Total Development Cost limits.
 5. The home must meet all Housing Quality Standards as established by the NCTHA or the Northern Cheyenne Tribe.
 6. The property must be reviewed by NCTHA for environmental impact in accordance with the National Environmental Policy Act (NEPA) and all other applicable statutes, regulations and Executive Orders.
 7. Lead based paint restrictions apply to housing acquired under this program. The NCTHA shall require the seller to certify that there is no lead based paint in the home.
 8. If the borrower selects a home in a flood plain, flood insurance must be obtained in an amount adequate to cover the first mortgage loan. The owner must provide a certification of insurance to NCTHA annually for at least five (5) years.
 9. The borrower shall be responsible for all insurance coverage required by the NCTHA or the lending institution.

8. Repayment of the Loan

- a. There are no monthly payments or interest associated with NCTHA's Down Payment and Closing Cost Assistance Program loans.
- b. Successful applicants who in fact use the Down Payment and Closing Cost Assistance loan as a part of their first time homebuyer purchase of a single

family home, used as their primary residence for five (5) years, do not have to repay the loan, unless they transfer ownership of the financed home within 5-years of the date of the purchase; or fail to maintain the home as their primary residence for 5-years from the date of purchase. In the event of such a transfer of ownership or failure to maintain the home as a primary residence for 5-years, the recipient of a Down Payment and Closing Cost Assistance loan shall be subject to a pro rata repayment.

A pro rata portion of the original Down Payment and Closing Cost Assistance loan amount will be forgiven based upon a schedule of 1/60th (5 years x 12 months/year = 60 months) of the loan amount being forgiven for each month or partial month of ownership.

In the event of a transfer of ownership of the financed home, or cessation of use of the home as the primary residence of the borrower, prior to the 5th year anniversary of its purchase, the balance of the Down Payment and Closing Cost Assistance loan, (that portion which has not been forgiven), must be repaid. Specifically in the case of a transfer of ownership, such repayment must be made in full prior to such transfer of ownership. In order to secure repayment of the loan, the borrower must execute lien documents which shall encumber title to the home, and protect the interests of the NCTHA.

9. Certification of Residency

- a. The property must remain the borrower's primary residence throughout the term of the Down Payment and Closing Cost Assistance Program loan. The NCTHA shall require the borrower to sign an annual affidavit stating the amount of time they lived in the house as their primary residence during the previous year. If they did not live in the house for at least 11 of the previous 12 months, the Down Payment and Closing Cost Assistance Program loan will be considered to be in default. NCTHA's Executive Director will review each default and consider the appropriate course of action.

10. Resale Restriction

- a. Documents for the Down Payment and Closing Cost Assistance Program shall include resale restrictions and an option to purchase granted to the NCTHA.
- b. If, at any time, the borrower sells the home prior to the 5th year anniversary of its purchase, the borrower must repay the NCTHA the balance of the Down Payment and Closing Cost Assistance loan, (that portion which has not been forgiven).

11. Assumption of Loan

- a. If the property is sold during the term of NCTHA's loan, the NCTHA loan may

be assumed by a qualified subsequent borrower. Generally, the assumption approval will be based upon the following:

1. The subsequent borrower must be an enrolled member of the Northern Cheyenne Tribe.
2. The subsequent borrower must be an income eligible Northern Cheyenne family in compliance with applicable NAHASDA restrictions.
3. The property must be the subsequent borrower's primary residence.
4. The subsequent borrower must assume the first mortgage and be contractually obligated to satisfy the mortgage.

12. Counseling

- a. All applicants are required to attend an NCTHA approved homebuyer counseling class prior to loan approval. The purpose of this requirement is:
 1. To enable the applicant to understand the responsibilities that accompany participation in NCTHA's Down Payment and Closing Cost Assistance Program.
 2. To enable the applicant to understand the home buying process,
 3. To enable the applicant to understand and prepare to assume homeownership responsibilities and tasks,
 4. To develop an understanding of the Down Payment and Closing Cost Assistance Program with a goal of promoting feelings of self-respect, pride and community responsibility.
- b. If available, applicants may elect to attend Post-Occupancy counseling. The cost of this counseling may be included in closing costs paid by NCTHA if the homeowner makes arrangements before the loan closing. If the homebuyer elects to attend after the loan closing, the costs of the counseling will be at the owner's expense. Post-Occupancy counseling may include the following:
 1. Budget Counseling
 2. Home Maintenance
 3. Refresher review of NCTHA's Down Payment and Closing Cost Assistance Program requirements.
- c. Any counseling required by the NCTHA shall be at no cost to the homebuyer.

13. Payment Oversight

- a. NCTHA shall work with the homebuyer to promote the success of their home ownership. If, for any reason, the First Mortgage loan becomes delinquent, the First Mortgage Lender will contact NCTHA. Upon receipt of any delinquent notices, NCTHA staff may contact the homebuyer to assist in

resolving the problem. This intervention does not, in any way, diminish the homeowner's responsibilities to the first mortgage lender.

- b. If a homebuyer is found to be in default of any portion of the First Mortgage documents, NCTHA may provide or refer the home buyer to financial counseling in an effort to resolve the problem, and may:
 - 1. Arrange a meeting with the home buyer to discuss the default;
 - 2. Work with the home buyer to develop a specific plan of action to correct the default;
 - 3. Monitor the home buyer's plan of action until the default is corrected.

14. Appeals Process

- a. Individuals or families who have applied for the Down Payment and Closing Cost Assistance Program and who, for any reason, have been determined to be ineligible, will be notified by NCTHA in writing. The notification shall state the reasons for ineligibility. All information relative to the rejection of the applicant shall be documented and placed in the applicant's file.
- b. An applicant who has been determined ineligible for the Down Payment and Closing Cost Assistance Program may file a grievance with the NCTHA's Board of Commissioners, if the action determining ineligibility was a determination of the NCTHA. This appeals process is not applicable to loan rejections made by a lender. In the case of such appeals, the decision of the NCTHA Board of Commissioners shall be final.