

## **PURCHASE ASSISTANCE PROGRAM POLICY GUIDELINES**

### **I. Program Description:**

The City of Ocala's Purchase Assistance Program provides loans to low-to moderate-income first-time homebuyers by paying a portion of the down payment and closing costs associated with the purchase of a home. The funds must be used to purchase an existing single family residence or condominium or to construct a new site built home.

The HOME program requires a 25% local match for any HOME funds drawn. The State of Florida has the State Housing Initiative Partnership (SHIP) Program that local entitlement counties and cities are able to use as match for HOME. The City of Ocala has designated SHIP as their local match for HOME. HOME "look-alike" activities will be banked as match. SHIP Mortgage Loan Agreements provide for the recapture of funds. Recaptured funds will be designated as HOME Funds for future expenditures.

### **II. Eligible Applicants**

To be eligible to receive funding, the applicant must meet the following conditions:

1. The total household income for all residents that will reside in the home must be equal to or less than 120% of median income for the City of Ocala for SHIP assistance and equal to or less than 80% of median income for HOME assistance as determined by the Department of Housing and Urban Development (HUD), adjusted by household size.
2. Applicants must be income qualified by the City of Ocala Community Programs Division and attend a homeowner preparation class.
3. Applicant must be a citizen of the United States of America or a permanent resident alien.
4. The applicant cannot have owned a home within the last three years. Exceptions will be made under the following conditions:
  - a. The applicant is a single parent who was divorced during the past three years and has children under the age of 18 who will live in the home.
  - b. The applicant is a victim of documented domestic abuse.
  - c. The applicant is being displaced as a result of the governmental purchase of their primary residence.
  - d. The applicant owns a mobile or manufactured home and wishes to replace it with a site built home.
5. The applicant must contribute funds at closing for prepaids, taxes and insurance and any accrued interest and application fees.

### **III. Program Requirements**

All program funds must be used to assist eligible homebuyers purchase a primary residence in the City of Ocala.

#### **IV. Uses of Program Funds**

Funds may be used for the following eligible uses:

1. The down payment for a mortgage loan to acquire a single-family residence or condominium.
2. Closing costs.
3. Funds to reduce the amount of the applicant's first mortgage obtained in conjunction with this program to make the home affordable.

#### **V. Eligible Properties**

All homes purchased using Purchase Assistance Program funds must meet the following requirements:

1. The home must be located in the Ocala City Limits.
2. The home must be in *Standard Condition or better*.
3. The sales price/value of the home may not exceed the maximum sales value as permitted under the SHIP or HOME Program guidelines, depending upon the funding source.
4. The home may not be a mobile or manufactured home when HOME funds are used.
5. The home being purchased must meet Section 8 Housing Quality Standards at the time of closing and certified as so by a City of Ocala Community Programs inspection.

#### **VI. Maximum Assistance**

The difference between the loan amount and the amount used for closing costs and prepaid expenses will be used to provide the necessary down payment needed to qualify for the mortgage to purchase the eligible home. Any balance will be used to reduce the amount of the first mortgage.

#### **VII. Terms and Conditions**

The program assistance will be in the form of a second mortgage. The interest rate will be 0% with repayments deferred until the home is transferred or until the affordability period has expired, or until the house is no longer occupied as the primary residence of the applicant.

The first mortgage must be held by a mortgage lender (owner financing is not eligible under this program). The first mortgage must be a fixed rate loan not to exceed  $\frac{3}{4}$  % over the FNMA or FHLMC 60-day delivery rate as of lock-in date. Balloon and negatively amortized first mortgages are not eligible.

#### **VIII. Application Process**

Applications are accepted when funds are available and following public advertising on a first come, first qualified basis until all funds are expended. The homebuyer may apply directly with the Community Programs Division office. All applications and required documentation must be submitted to the Community Programs Division.

## **IX. Closing Process**

When all conditions have been met, the Community Programs Division office will coordinate a reasonable closing date and time with the first mortgage lender and the closing agent. A proposed HUD-1 closing statement must be submitted for review to determine the proper allocation of funds. The Community Programs Division office will prepare the second mortgage documents and send them to the closing agent along with the Purchase Assistance Program check.