



Down Payment Assistance Program Guidelines

CITY OF MESQUITE

Department of Housing & Community Services

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The City of Mesquite Down Payment Assistance Program (DPAP) is a program established to provide low and moderate-income families with access to affordable homeownership opportunities through mortgage down payment assistance and closing cost assistance. The DPAP is funded through the Community Development Block Grant (CDBG) allocated by the U.S. Department of Housing and Urban Development (HUD). Applications for the DPAP are accepted on a first come, first served basis.

APPLICANT ELIGIBILITY

To qualify, applicants must meet the federal area median income (AMI) levels established by HUD. Applicants must provide supporting documents that verify annual income, assets, and citizenship in accordance with federal guidelines. Applications for the DPAP are accepted on a first come, first served basis. Applicants who have received CDBG grant assistance through the City of Mesquite in the last 5 years are not eligible. **** Please note, submission of an application does not automatically qualify you for assistance. Each application is reviewed for income eligibility in addition to other factors.****

Applicants must meet the following requirements to be eligible:

1) *Must be a first-time homebuyer or not owned a home in last 3 years*

- According to the Federal Housing Administration (FHA), a first-time homebuyer is defined as an individual who has never owned a home; (ii) and individual who has not owned a home in the last 3 years; (iii) or an individual who owned a home with a former spouse while married, but since then has divorced and no longer resides in the home (subject to documentation of loss ownership in divorce decree or equivalent document(s)).

2) *Must be a U.S. Citizen, Citizen National, or Qualified Alien*

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 states that U.S. Citizens, U.S. non-citizen national, and “qualified aliens” are eligible for federal public benefits (with certain exceptions). According to federal definition, a “federal public benefit” means any grant, contract, loan, professional license, or commercial license provided by an agency of the United States or appropriated funds of the United States.

- A **U.S. Citizen** is defined as (i) a person born in the United States, and subject to the jurisdiction thereof; (ii) A person born outside of the United States and its outlying possessions of parents both of whom are citizens or the United States or one of whom has had residence in the United States prior to the birth of such person; (iii) a naturalized United States citizen. *8 U.S. Code Section 1401*
- A **Citizen National** is defined as (i) a person born in an outlying possession of the United States on or after the date of formal acquisition of such possession; (ii) A person born outside the United States and its outlying possession of parents both of whom are nationals, but not citizens and have had residency in the United States. *8 U.S. Code Section 1408*
- A **Qualified Alien** is defined as an alien who is (i) lawfully admitted to the United States for permanent residence under the Immigration and Nationality Act (INA); (ii) an alien granted asylum under section 208 of the INA; (iii) an alien’s deportation is withheld under Section 243(h) of the INA as in effect prior to April 1, 1997, or whose removal is being withheld under Section 241(b)(3) of the INA; (iv) an alien who is granted status as a Cuban and Haitian entrant as defined in Section 510(e) of the Refugee Education Assistance Act of 1980; (v) an alien who is lawfully admitted to the United States for permanent residence under the INA.

3) Must have a gross income that does not exceed the Dallas County 80% area median income (see chart below)

# of People in Household	1	2	3	4	5	6	7	8
80% Area Median Income Moderate Income	\$41,100 and below	\$47,000 and below	\$52,850 and below	\$58,700 and below	\$63,400 and below	\$68,100 and below	\$72,800 and below	\$77,500 and below
50% Area Median Income Low Income	\$25,700 and below	\$29,400 and below	\$33,050 and below	\$36,700 and below	\$39,650 and below	\$42,600 and below	\$45,550 and below	\$48,850 and below
30% Area Median Income Very Low Income	\$15,400 and below	\$17,600 and below	\$20,420 and below	\$24,600 and below	\$28,780 and below	\$32,960 and below	\$37,140 and below	\$41,320 and below

* Area Median Income for Dallas County for FY 2017, as published by HUD

Income eligibility is determined based on household income and adjusted for household size. Gross income must be at or below 80% of AMI. The AMI is subject to change each fiscal year. Household income includes the income of all household members over the age of 18. Household size includes all members that will reside in the home during the time of occupancy. Household income limits are defined according to 24 CFR 5.607. Once income certification and supporting documents are submitted, staff will review income of all member over the age of 18 to determine eligibility.

HOMEBUYER EDUCATION COURSE

Applicants are required to complete an 8-hour, in-class homebuyer education course by a HUD certified Housing Counseling Agency according to 24 CFR 982.630. On-line courses will not be accepted as completion of the homebuyer education course. Applicants must provide a certification of completion. Completion certification over a year old will not be accepted. Any co-applicants must attend the class regardless of who will be listed on the mortgage. A list of qualified agencies can be found on the City of Mesquite website.

PROPERTY ELIGIBILITY

- The property must be within Mesquite city limits;
 - Visit <http://gispub.cityofmesquite.com/webmaps/zoning/> to confirm address is within Mesquite city limits
- The property must be a single family residence dwelling
 - Property must be a residence that is permanently affixed to a permanent foundation. Townhomes and Condos are eligible. **This definition does not include mobile homes or trailers.**
- The property must be an existing unit
- The property must pass an home inspection prior to approval of assistance
- The property must not be located in floodplain or floodway
- Properties built in 1978 and prior are not eligible under the program
- The property cannot be a foreclosed sale
- The property sale price cannot exceed \$200,000

After a purchase contract by the seller has been accepted, the buyer’s real estate representative should contact the City to schedule an inspection to ensure the property meets city property standards. The buyer is also required to obtain a home inspection from a certified home inspector, before approval of assistance according 24 CFR 982.628(a)(3)

LEVELS OF ASSISTANCE

Maximum grant assistance = \$5,000	Down Payment Assistance	Closing Cost Assistance
80% AMI Moderate Income	½ of minimum	\$0
50% AMI Low Income	½ of minimum	Up to \$1,500
30% AMI Very Low income	½ of minimum	Up to \$2,000

The City of Mesquite DPAP will provide up to 50% in grant assistance toward down payment cost. Buyers are required to provide the remaining 50% toward the down payment. Buyers are required to provide at minimum 1.75% of the sales price toward the cost of the home. The maximum grant assistance is \$5,000.

Loans will be secured by a Promissory Note and Deed of Trust. A Promissory Note is a document signed by the buyer, in which the buyer agrees to reside in the home for 5 years or the loan will have to be repaid. A Deed of Trust is a document that allows the City of Mesquite to file a lien on the home with Denton County.

Applicants, who have liquid assets greater than \$15,000 but meet income limits, will be subject to a dollar for dollar amount reduction in grant assistance for amount in excess of \$15,000. Liquid assets are defined as assets that can be easily converted into cash such as checking, savings, CDs, stocks, and bonds. Tax deferred accounts such as IRAs, 401Ks, and other retirement accounts are excluded from the definition of liquid assets. Assistance will not cover any seller concessions or gift funds.

DEBT TO INCOME RATIO

Applicant's Debt-to-Income ratio may not exceed 43%. A Debt-to-Income ratio calculates the percentage of your income that goes to debt. The Front-end ratio (31%) looks at housing-related debt, and the Back-end ratio (43%) looks all debt including housing related debt.

ELIGIBLE CLOSING COSTS

Closing Cost Assistance is up to \$1,500 for buyers with income that meet the 50% AMI or below threshold and up to \$2,000 for buyers with income that meet the 30% AMI or below threshold. Closing Cost assistance is available for normal and customary buyer's closing cost, which include but is not limited to:

- 1 Point Origination Fee
- Approved Discount Points (2 maximum)
- Lender Fees (excluding Origination Fee, Discount Point, and 3rd Party Fees) not to exceed \$1,000
- Mortgage Insurance Premium if not financed into the loan
- Appraisal fee
- Title Insurance
- Prepays
- Hazard Insurance
- Attorney's Fees
- Flood Certification Fee
- Closing/Escrow Fee
- Document Prep Fee
- Home Inspection Fee/Termite Inspection
- Property Survey
- Credit Report Fee
- Recording Fee
- Home warranty
- HOA Fee
- Survey Fee
- Credit Report Fee
- Inspection Fee

SELLER CONCESSIONS

Under the DPAP, seller contributions should only be applied to (i) lower sales price of home; (ii) cover buyer's closing cost in excess of program assistance. Seller contributions can not be used to pay for the buyer's portion of the down payment.

OTHER GRANTS AND GIFT FUNDS

Other grants are allowed to the extent in which they do not duplicate expenses covered by DPAP. Staff must approve other grant program's policies and resolve any programmatic conflicts in advance. Gift funds are also allowed. Total gifts may not exceed 6% of total sales price. Documentation of each gift must be submitted to the City of Mesquite in writing.

APPLICATION PROCESS

A completed application must be accompanied with the following supporting documents:

- Selected property under contract: _____
- Provide a copy of the Prequalification Letter from lender
- Provide checking statements for **each** bank or other account specified (**6 months, most recent, consecutive**)
- Provide savings statement for **each** bank or other account specified (**3 months, most recent, consecutive**)
- Provide account number for **each** bank account reported on the eligibility application
- Provide copy of benefit letter(s) for any assistance received, such as TANF, food stamps (SNAP), etc. (If applicable)
- Provide copy of most current award letter for Social Security Benefits (if applicable).
- Provide copies of tax returns (**2 years, most recent, consecutive**)
- Provide a copy of your most recently received benefit letter(s) for Social Security benefits (if applicable)
- Provide a copy of your most recently received benefit letter(s) unemployment benefits (if applicable)
- Provide a copy of your most recently received worker's compensation letter (if applicable)
- Provide worth of pay stubs received from employer for each household member 18 years and older (**3 months, most recent, consecutive**)
- Applicant Certification (Must be signed by all household members 18 years and older)
- "Authorization for Release of Information" form (must be signed by all household members 18 years and older)
- "Authorization for Criminal Background Check". Submit a separate, signed form for all household members 18 years and older
- Copies of valid photo IDs or Texas Driver's License for all household members (18 years & older)
- Copies of Social Security card or documentation of alien registration number/green card for all household members

Files with no activity for 3 months will be automatically closed. If the applicant is still interested in program he/she must re-apply and submit all required paperwork once again. After the application has been submitted, the grant coordinator will go over income eligibility via phone or in person with purpose determine eligibility before securing loan and sale with loan officer or mortgage broker. Once income eligibility has been determined, the following documents are required to be submitted:

- MCAW/Transmittal Summary
- Good Faith Estimate (G.F.E)/Loan Estimate
- Signed Loan Application (1003)
- Sales Contract
- Notice to Seller
- Buyer Receipts for POCB's (if applicable)
- HUD-1
- Proof of Homeowner's Insurance
- Good Faith Estimate
- Preliminary Title Report
- Real Estate Purchase Contract
- Appraisal Report on property

REFINANCING

Homeowners may request that the City re-subordinate its lien if the owner refinances to a lower fixed interest rate and/or shorter term provided that they do not “cash out” equity. Homeowners, who wish to refinance to cash out equity, are required to pay back the full amount of the loan.

ARM’S LENGTH TRANSACTION

An Arm’s Length transaction is a transaction in which the buyer and the seller do not know each other prior to the transaction. DPAP loans may be used to assist a buyer with a purchase that is not in “arm’s length,” where the buyer a relative or otherwise knows the seller, only when the relationship is disclosed to the City. Additionally, the buyer and seller must have independent real estate representation prior to negotiating terms.

NOTICE TO SELLER

A Notice to Seller form must be provided to inform the seller that the buyer will be receiving federal funds through the City of Mesquite to assist with the purchase; although government funds are involved, the City of Mesquite will not acquire the property through eminent domain under this program. The transaction is strictly voluntary.

AFFORDABILITY PERIOD AND RECAPTURE/REPAYMENT

Applicants are must be able to apply for a Federal Housing Administration (FHA) loan, Veterans Affairs (VA) loan, or a conventional loan.

Assistance is provided in the form of a deferred, forgivable loan. A lien will be filled by the Title Company listing the City of Mesquite as the subordinate lien holder. The lien on the property will be released according to loan terms. The homebuyer must agree with these terms. Applicants who received assistance are required to be the sole owner and reside in the home 5 years after the closing. After 5 years, the loan will be forgiven and the lien will be released. If the buyer fails to maintain the home as their principal place of residence before the five-year term expires, the buyer will be obligated to pay the City of Mesquite the prorated amount of assistance. The recapture/repayment amount will be forgiven by 20% per year or 1/60 per month. In an event, funds must be paid back to the City of Mesquite.

ANNUAL VERIFICATION

Each year, buyers through the DPAP will receive an annual verification letter in the mail. The buyer must sign and date the letter confirming that he/she is still the sole occupier of the home. The letter is to be submitted to the City of Mesquite Community Services Division with a copy of the buyer’s most recent electricity bill. Annual verification letters are due within 14 business days.

CONFLICT OF INTEREST

In accordance 24 CFR 92.356 and 24 CFR 570-611, applicants can be denied participation in the City’s Down Payment Assistance Program if a conflict of interest exists. A conflict of interest exists if an applicant is an employee, agent, consultant, officer, elected official and appointed official of the City of Mesquite and if within the past 12 months, and of the following three statements applies to any of the applicants:

- Exercises or who has exercised any function or responsibilities with respect to funds for this program
- Participate or has participated in the decision making process related to funds for this program.
- Is or was in a position to gain inside information with regards to program activities.