



## **Targeted Down Payment Assistance Program Policy**

### **Program Overview**

The Down Payment Assistance Program for First Time Homebuyers is designed to help low- and moderate-income individuals employed by the City of Frisco or Frisco Independent School District in the purchase of a home in the City of Frisco.

### **Applicant Eligibility**

The applicant(s) must be a first-time homebuyer (defined as not having owned a home within the last three (3) years). Exemptions are made for:

- A displaced homemaker who previously owned a home with a spouse or lived in a home owned by the spouse, and is receiving no equity or homeownership rights
- A displaced homemaker and/or a recent single parent who did not receive ownership of the home through a divorce settlement
- 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))
- Own a substandard mobile home

One (1) applicant must be a full-time employee of the City of Frisco or Frisco Independent School District for a minimum of six (6) months.

The applicant(s) must have a total household income at or below \$131,989. This information is obtained annually from the American Community Survey. The maximum household income may change each program year.

One percent (1%) of the purchase price of the home must come from personal funds.

Non-occupant co-borrowers or co-signers are not eligible.

### **Property Eligibility**

The property must be located within the City limits of Frisco. This is determined by whether the City of Frisco is the billing municipality for water.

The sale price of the property must not exceed \$450,800. This information is obtained annually from the U.S. Department of Housing & Urban Development. The maximum sale price is subject to change each program year.

The property must be vacant, occupied by the owner/seller of the property, or rented by the applicant (the property may not be occupied by a renter for ninety (90) days (three (3) months) prior to loan closing unless the renter is purchasing the property).

All homes must undergo an inspection to ensure the property meets Texas Minimum Construction Standards (TMCS). Inspections may be scheduled by calling the City at (972) 292-5108. Homes must pass TMCS inspection before funds from the Program are granted.



If the home being purchased was built before 1978, then the City is required to conduct a visual assessment of the house for deteriorated paint. If any paint is found to be deteriorated, either inside or outside, the property will require further inspection at the buyer's expense. If lead dust is present, the City will not be able to provide any financial assistance from the Program, unless the owner or buyer is willing to do what is necessary to eliminate the lead hazards in the house.

The City should be informed as soon as possible, after acceptance of the purchase contract by the seller, so that the inspections will not delay the closing. The purchase contract should be submitted subject to passing the City's visual assessment inspection and the TMCS inspection. A list of lead paint inspectors/abatement specialists may be acquired from the City.

### **Application Process**

Contact a lender to obtain a mortgage loan pre-qualification letter stating the amount for which you are qualified. All types of loans are eligible, including VA, FHA, conventional, and lender qualified assumptions. Once the lender has qualified you for a mortgage loan, obtain a pre-qualification letter stating the amount for which you are qualified.

Visit the City of Frisco website [here](#) to review the program qualifications and download an application. Applications can also be obtained by contacting the Grants Coordinator at (972) 292-5108.

Submit completed applications and required documentation through the Neighborly software available on the website [here](#). Complete applications must be received sixty (60) days prior to the home closing.

Applications will be considered on a first come, first served basis from the time and date the complete application is received at City Hall.

Incomplete applications will not be considered.

City staff will review the application for completion and determine applicant eligibility. If an applicant is determined to be eligible, City Staff will approve and forward the application to the Chief Financial Officer for approval of release of funds at home closing.

Approved applicants will be required to complete an 8-hour HUD approved homebuyer education course. A list of courses can be found [here](#), or by contacting the Grants Coordinator at (972) 292-5108. Applicants must submit a certificate of completion for each borrower prior to the closing date for funds to be released.

Funds in the maximum amount authorized by the program will be reserved for a period of four (4) months from the date of approval of the grant amount. If at the end of four (4) months, no home has been purchased, or no purchase contract is pending, the funds may be reserved for another applicant. The Social Services and Housing Board may, in its sole discretion upon written request by the applicant, extend the time funds are reserved or review an appeal of an application deemed by City Staff to be ineligible or not approved.



## **Terms/Financing**

The Program consists of a single lien from the City of Frisco. At closing, promissory notes and a deed of trust will be executed by the borrower(s). The deed of trust will exist as a lien on the property, subordinate to the first mortgage.

- The City of Frisco will not execute a third lien position on a Targeted Down Payment Assistance mortgage.

Loans through the Program will be provided at zero percent (0%) interest as 5-year deferred forgivable loans. The homebuyer is required to live in the home for five (5) years, beginning with the execution date of the promissory note. A verification of employment is conducted and twenty percent (20%) of the amount of the loan will be forgiven for each full year the buyer resides in the home. Each year's forgivable amount, 20%, is reported as a non-cash income. For City of Frisco employees, it will be accounted for on your bi-weekly paycheck. An annual 1099 form will be provided for Frisco ISD employees. If the home is sold prior to five years (5), refinanced (to cash-out), if the house is no longer the homeowner's primary residence, or if the homeowner is no longer employed with the City of Frisco or Frisco ISD the remaining, unforgiven amount must be repaid. The loan may then be repaid in equal monthly installments over the remaining life of the loan.

The amount of the loan will be for a maximum of \$10,000. The exact amount of assistance cannot be determined until the Certified Closing Disclosure with the exact amount of closing costs is provided. This amount can be used for all or part of the down payment, closing costs, prepaids, and discount points for interest rate reductions.

Program activity/assistance will be limited to the availability of funds.

Any liquid assets in excess of \$20,000 must be used toward the purchase of a home prior to funds from the Program being utilized, unless a higher amount is required by the first mortgagee for escrow purposes.

The Mortgage Interest Rate cannot exceed the average par rate by more than two percent (2%).

No cash back may be provided to the buyer at closing.

## **Recapture**

Recapture provisions will be utilized for households receiving assistance through the Targeted Down Payment Assistance Program. The purpose of the recapture provisions is to ensure that the City will recoup all or a portion of the assistance upon the earliest occurrence of one of the following triggering events within the required five (5) year period:

- The home is sold
- The home is no longer the homeowner's primary residence
- The homeowner is no longer employed with the City of Frisco or Frisco ISD
- The home is refinanced to cash-out

## **Annual Verification**



Recipients are subject to auditing throughout the duration of the loan period to ensure compliance with Program requirements.

Each year, recipients will receive an annual verification letter in the mail. The recipient must sign and date the letter confirming that they are still the sole occupier of the home. The letter is to be submitted to the City of Frisco Community Development Division. Annual verification letters are due within 14 business days.

### **Conflict of Interest**

No employee, agent, consultant, officer, or elected or appointed official of the City of Frisco who exercises or has exercised any functions or responsibilities with respect to activities assisted with funds provided under the Program or who is in a position to participate in a decision-making process, or gain inside information with regard to such activities, may obtain a personal or financial interest or benefit from the Program, or have an interest in any contract, subcontract, or agreement, (or the proceeds thereof) with respect to the Program either for themselves or those whom they have family (related in the first degree by consanguinity or affinity, as defined in Chapter 573 of the Texas Government Code) or business ties, during their tenure or for one (1) year thereafter.