Affordable Housing Program

Mortgage Broker Frequently Asked Questions for
Affordable Housing Homeownership and Down Payment Assistance Programs

Purpose:

The City of Longmont requires that all mortgages on properties in the Affordable Housing Program (AHP) meet several requirements. The intent of these requirements is to reduce the risk of default and foreclosure to protect the future of the limited resources in the AHP. The programs included are:

Affordable Housing Homeownership Program (AHHP): The AHHP is intended to serve households with two different tiers:

> **Affordable**: those whose annual income falls at or below 80% AMI for Boulder County;
> **Attainable:** those whose annual income falls between 81% AMI and 120% AMI Boulder County.

Longmont Down Payment Assistance Program (LDPAP): LDPAP is intended to serve:

1. Households whose income falls below 80% AMI for Boulder County when DPA loans are funded by the City's Affordable Housing Fund (AHF); and
2. Households whose income falls below 120% AMI for Boulder County when DPA loans are funded by State of Colorado Proposition 123 dollars or the City's Attainable Housing Fund (AttHF).

Boulder County Down Payment Assistance Program (BCDPAP): BCDPAP is for buyers purchasing homes within Boulder County, but outside the City of Boulder. BCDPAP is funded with HOME dollars originating from the United States Department of Housing and Urban Development (HUD) and is intended to serve households whose income falls below 80% Area Median Income (AMI) by household size for Boulder County.

If you have questions that are not addressed below, please contact the Homeownership Program Coordinator, Katie Sylvis at katie.sylvis@longmontcolorado.gov.

Mortgage Policy:

1. The mortgage policy is as follows:
   - An applicant must be able to qualify for an acceptable first mortgage from a licensed and registered loan originator in Colorado working for a mortgage company registered to do business in the State of Colorado.
   - The AHP accepts 30-year, fixed-rate and amortizing loans. No adjustable-rate mortgages (ARMs), interest-only, or sub-prime loans are allowed. HCI staff recommends the loan is a "Qualified Mortgage" under the requirements of the Consumer Protection Financial Bureau (CFPB) outlined at 12 CFR 1026.43(e). The City reserves the right to deny eligibility based on any loan terms.
   - **All applicants must submit a copy of their loan preapproval and Form 1003 with their application**.

AHHP Terms:

1. The Affordable Housing Covenant and Attainable Housing Covenant run with the land, and all successive owners shall agree to abide by the rules.

2. The applicant agrees to abide by the maximum resale price upon resale of the property, and to sell to an income-qualified buyer.

3. The Covenant shall be senior to all other liens other than the primary mortgage.

All Program Guidelines:

1. Primary residency is a requirement, and non-occupying co-borrowers are not allowed.

2. The applicant may not own other real estate. Liquid assets must be spent down to $50,000 ("Liquid assets" does not apply to any savings held in a tax-preferred retirement account, life insurance policy, college savings plan, or health savings account recognized by the IRS).

3. Prepayment penalties on primary mortgage are not allowed.

4. The final loan Closing Disclosure for the primary mortgage be received before Closing takes place.

5. A copy of the appraisal from the primary mortgage lender is required before Closing takes place.

6. All applicants are required to attend a HUD-approved homebuyer education class ***and*** a personal homeownership readiness financial counseling meeting.

7. Income is calculated using gross income and will be projected for 12 months based on actual earnings, tax statements, and other documentation provided.

8. A Deed of Trust is recorded with the County for each program. The AHHP also requires Affordable Housing Covenant, and Fee-In-Lieu Agreement be recorded. Preliminary review of these documents is available upon request.

Down Payment Assistance Loan Terms: see DPA policy for further explanation of program rules.

1. The loan amount may be up to 10% of the home's purchase price with a maximum of $40,000. **Note: 10% is not guaranteed**, HCI staff will analyze each applicant's financial resources and transition costs and only provide as much funding as is required to fill the gap between what the applicant can afford and the cost to complete the purchase.

2. Interest is charged at 2% simple interest with monthly payments. Applicants whose income falls below 60% AMI have 0% Interest and deferred payments. Term is up to 30 years.

3. Loan balance is due upon the sale or refinance of the property.

4. Homeowners Insurance showing the City of Longmont as Additional Insured is required before Closing.

5. DPA loans will subordinate to the primary mortgage lender but will not take third position without written agreement with the City.

6. Debt-to-Income is limited to 35% for LDPAP, and 31% for BCDPAP (exceptions up to 35% may apply). DTI is calculated only on the front-end ratio. Front-end ratio is defined as the percentage of gross monthly income a homeowner pays for monthly housing costs. Housing costs include mortgage

principal and interest, property taxes, and homeowner's insurance (PITI), as well as any mortgage insurance premiums, association fees, ground lease fees, and other similar fees as applicable.

7. Applicants must have a minimum of $2,000 or 1% of the sales price (whichever is greater) of their own money invested into the purchase of a home. The minimum contribution can include earnest money, inspection fees, etc.

8. Applicants may not receive any funds back at closing.

9. Total indebtedness on the property, including the first mortgage and all subordinate financing, cannot exceed 100% of the home's appraised value. The only exception is if the first mortgage is a government-backed loan (such as FHA, VA, or USDA-RD) with a mortgage insurance premium, and that insurance premium is the only reason that the loan amount is over 100% of its value.

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