

The Davis Homeownership Program

*Helping to Make
Homeownership a Reality*



Davis

C O U N T Y

Community and Economic Development
April 2024

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Introduction and Program Overview

Introduction

Davis County's Home Ownership Assistance program assists low/moderate income individuals and families purchase a home in Davis County. Home prices across Utah have dramatically appreciated the last several year. From 2018-2022 home prices have risen 87.6%. However, wages have not kept pace with this rapid home price appreciation. During this same period wages increased approximately 11% statewide making it nearly impossible for low/moderate income families to afford a home. Davis County recognizes this unprecedented challenge to home ownership and has created this program to assist low/moderate income families afford to purchase a home that they may otherwise never be able to.

Through this program individuals and families looking to purchase a home in Davis County may apply for a one-time home ownership assistance loan up to \$50,000. This loan will reduce the amount of the primary mortgage needed to purchase a home, therefore, lowering the monthly payment to a more manageable and affordable amount. The home ownership assistance loan from Davis County would be paid back plus 1% interest to the County once the home is sold.

Program Overview

Davis County will utilize annual funding from the Community Development Block Grant (CDBG) provided through the Office of Housing and Urban Development (HUD), and a one-time allocation from the American Rescue Plan Act (ARPA) to fund these home ownership assistance loans. The amount of assistance available on an annual basis will fluctuate depending on the number of loans that are repaid and the amount of funding available through CDBG.

These home ownership assistance loans are federally funded and have NO payments during the life of the loan. The loans will have 1% interest compounded annually and will be paid back to the County when the home is sold. As required by Federal law, the loans may only be used for principal reduction, interest rate reduction (capped at \$10,000), 50% of the required down payment and/or closing costs, or any combination that creates the optimum (lowest) monthly mortgage payment. Homebuyers **cannot** receive cash back at closing.

Applicant(s) must be income eligible at or below 80% of the Area Median Income (AMI) as determined by HUD annually. Entire household income cannot exceed the current HUD limits adjusted per household size:

| Household Size | Maximum Yearly Household Income |
|----------------|---------------------------------|
| 1 Person | \$61,850 |
| 2 Persons | \$70,650 |
| 3 Persons | \$79,500 |
| 4 Persons | \$88,300 |
| 5 Persons | \$95,400 |
| 6 Persons | \$102,450 |
| 7 Persons | \$109,500 |
| 8 Persons | \$116,600 |

*2024 Income Thresholds. Household income includes income received by all adult members over the age of 18 who will be living in the home to be purchased. [HUD'S Annual Income Thresholds.](#)

The property must be within Davis County and must be occupied by the Homebuyer as the **primary residence** during the entire loan term. If purchase property is renter/tenant occupied by any person with a binding lease agreement, loan funds cannot be provided.

Housing (front-end) ratio cannot exceed **35%** and debt-to-income (back-end) cannot exceed **50%** of the household monthly gross income. A \$1,000 borrower contribution and cash reserve to cover one month of housing expenses will also be required at closing. Assets will be reviewed.

Applicant(s) must have a fully executed Real Estate Purchase Contract (REPC) to purchase a property at the time of submitting an application and have a pre-qualification letter from a reputable lender (no sub-prime loans). Eligible applicant(s) will receive financial assistance on a first-come, first-qualified basis. No waiting lists and no funds will be reserved. Processing time is generally 25-30 days.

Program Guidelines

The Davis Homeownership Program is dependent on the availability of funding. The County anticipates having funds allocated on July 1st of each calendar year with the funding year ending on June 30 of the following calendar year. The annual application period will close when all available funding for the year is exhausted.

Eligible Applicants

All applicants must meet gross household income eligibility, debt ratios, residual income, cash reserve, assets, and minimum contribution requirements.

Applicant(s) must have a fully executed Real Estate Purchase Contract (REPC) to purchase a property and have a pre-qualification letter from a reputable mortgage lender at the time of submitting an application.

Non-occupant co-signers on the first mortgage are allowed. Income from non-occupant co-signers will not be taken into consideration when determining eligibility for assistance based on household income and applicant total debt ratio. Applicants must be able to afford the loan and debt on their own.

Homebuyer Education Course

Applicants are required to attend and submit a Certificate of Completion from a HUD-approved home-ownership class prior to closing. The [Utah State University Online Course \(click to open\)](#) is currently the only HUD approved class in Utah that we are aware of. We cannot accept Fannie Mae/Freddie Mac homebuyer education certificates at this time.

Home Eligibility, URA and Zoning

Only owner-occupied units located within Davis County are eligible for consideration. Existing and new single-family homes, condominiums and townhomes are permitted. Multi-family units and mobile or manufactured homes are not permitted.

The purchase property must not lead to the displacement of any individual other than the seller and their immediate family in accordance to the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970. **If purchase property has been renter/tenant occupied by any person with a binding lease agreement within the last 90 days, assistance cannot be provided.** Purchased property must be zoned for residential use only, unless it can be established that said property is in an area that has been predominately residential for many years and there is no government program endangering the residential integrity of the area.

Purchase Price

The initial purchase price of a newly constructed or existing property **cannot exceed \$500,000.** Property values will be confirmed by a certified appraisal submitted to Davis County. The agreed upon purchase price cannot exceed the appraised value of the home.

Safety Inspection and Lead-Based Paint

The purchase property must have visual inspection performed by the Davis County Community and Economic Development department, and an Environmental Review completed per HUD guidelines. Additionally, any home built before 1978 must have a lead-based paint inspection performed as required by federal guidelines (HUD: 24 CFR Part 35 subpart K). A report will be

provided to Davis County with the results and shall indicate if there is any remediation required. If presumed or tested to be lead based paint, all mitigation work must be done by a contractor certified under the EPA Lead Safety for Renovation, Repair and Painting Training Course per 40 CFR Part 745.225. At the completion of said mitigation work, a clearance report must be prepared by a certified Lead-Based Paint Risk Assessor. Lead-based paint inspection and any necessary abatement are at applicant(s) own expense.

Lien Position and Subordination

Davis County's lien position for home ownership assistance loans can be recorded behind superior liens (i.e. first mortgage), Community second loan (i.e. state or federal down payment assistance), or a Utah Housing Loan that benefits the buyer. Davis County will not accept lower than third position.

Davis County will not permit subordination of deferred loans when the applicant is requesting the payoff of unsecured debt(s) be included in the refinance. In such instances, the deferred debt must be paid off.

Davis County will consider subordinating to the refinance of superior lien(s) only to lower the current interest rate or to receive cash to conduct certain approved home repairs, however, Davis County must maintain its current lien position. Davis County **will not** agree to subordinate to transactions that provide cash to the borrower for non-eligible purposes. Davis County must receive written request from the originating lender to subordinate including:

1. Name and address of lender making the loan
2. New loan amount
3. Terms
4. Interest rate
5. Monthly payment
6. Lien(s) and their amount(s) that are to be paid off
7. Closing cost amount
8. HUD1/Good Faith Estimate
9. Complete appraisal performed in the last 90 days
10. Completed and executed loan application
11. Property and judgment report and/or Title search/abstract

Eligible Loans

Types of acceptable financing are fixed rate loans such as FHA, Conventional, USDA and VA. Loans that have adjustable interest rates after a period of time (Adjustable Rate Mortgages ARM's) are not allowed. There cannot be excess upfront fees defined as more than 3% of the loan amount for loans that equal or exceed \$80,000.

Income Limits

The household must be income eligible at or below 80% of the Area Median Income (AMI) and meet [HUD income limits](#) which are updated on an annual basis. Income for all household members over the age of 18 will be included in the total household income calculation. Possible sources and proof of income include, but are not limited to: pay stubs, SSI/SSA award letter, profit & loss statement (if self-employed), tax returns, 1099, W-2, 401K, savings account, etc.

Income Calculation

Davis County uses the HUD approved IRS 1040 adjusted gross income calculation method. Please see the link below for more information about inclusions and exclusions that are accepted using this method. https://www.hud.gov/sites/documents/DOC_35699.PDF.

In general, the most recent 2 months of gross income is projected over the following 12- month period. Variable income such as overtime, commissions, and bonuses will only be considered if they reflect as regular on the paystubs. We take into consideration all the income documentation provided with the application as support.

Debt Ratios

Housing (front-end) ratio: This is the applicant's gross monthly income divided by all housing expenses including mortgage principal and interest, real estate taxes, homeowner's insurance, mortgage insurance premiums, association fees, ground lease fees, and any other similar housing fees. The County will calculate the front-end ratio assuming a maximum loan of \$50,000. **In order to qualify the front-end ratio needs to be no more than 35%.**

The County will use a combination of current assets, other debt obligations and residual income (gross monthly income minus all front-end and back-end expenses) in determining the front-end ratio.

Debt-to-income/DTI (back-end) ratio: This is the applicant's gross monthly income divided by all housing expenses and all recurring consumer debt (credit cards, auto loans, student loans, personal loans, other installments and revolving debt on credit report), alimony, and child support. **In order to qualify the back-end ratio cannot exceed 50%.**

Award Amount Determination

Davis County will provide home ownership loans **up to \$50,000**. Our current method for determining the level of assistance is (1) the percentage of your current adjusted gross income that would go toward your total mortgage payment (including principal, interest, PMI, homeowners insurance and taxes) without assistance, and (2) the amount needed so that no more than 35% of your gross monthly income is being applied to your mortgage (front-end calculation). All loans will be rounded to the nearest thousandth. See the table below for an example of how the amount of assistance will be determined.

| | |
|--|-----------------|
| Home Purchase Price | \$400,000 |
| Adjusted gross income front-end ratio | 40% |
| Needed principal reduction to get to 35% front-end ratio | \$40,000 |
| New Purchase Price | \$360,000 |
| New adjusted gross income front end ratio | \$35% |
| Principal reduction loan from the County | \$40,000 |

**The County will use a combination of current assets, other debt obligations and residual income (gross monthly income minus all front-end and back-end expenses) in determining the front-end ratio.*

Required Funds and Cash Reserves

Davis County requires the homebuyer to contribute a minimum of \$1,000 in personal liquid funds towards the purchase transaction. Gift funds will not be considered personal funds.

Additionally, homebuyers are required to have sufficient cash or other liquid resources such that, after closing, there are financial resources available to cover the first month of housing expenses included in the front-end ratio. **Liquid assets over \$20,000 must be applied to the purchase of the home** and may reduce the amount of assistance provided.

Terms of Assistance

All home ownership assistance loans have a 1% interest rate that is compounded annually. **There are no monthly payments required.** The full amount of the original loan plus accrued interest is payable to the County when the homeowner sells, exchanges, transfers title, decides to refinance for any non-qualifying reason, or ceases to live in the property as the primary residence.

Fair Housing & Equal Opportunity

It is Davis County's policy that all aspects of this program shall be conducted without regard to race, color, religion, sex, disability, familial status, age, source of income, national origin, sexual orientation or gender identity. Davis County adheres to all State and Federal Fair Housing and Civil Rights laws, including the Equal Credit Opportunity Act, and encourages minorities, women, and people with disabilities to seek funding.

Attachments

Neighborly Application Portal

<https://portal.neighborlysoftware.com/DAVISCOUNTYUT/participant>