

South District Homeownership Program

Applicant Guide

Steps for Program Eligibility:

- 1. Income Verification:** Households must be below 80% of Area Median Income to qualify for the program. Buyers must complete all necessary paperwork to document income at the time of application.
Income Limits are as follows (maximum Income):

1-person household: \$61,050	5-person household: \$94,200
2-person household: \$69,050	6-person household: \$101,200
3-person household: \$78,500	7-person household: \$108,150
4-person household: \$87,200	8-person household: \$115,150
- 2. Lender Pre-approval:** Prior to completing the application please visit a lender to get pre-approved for a mortgage. The lender will provide you with a Prequalification Letter detailing the maximum funds that institute will let you borrow to purchase a home. If desired City staff can provide a document detailing the South District program to present to the lender.
- 3. Application:** After getting pre-approved for a mortgage, applications can be found online at www.icgov.org/southdistrict. You can also request a paper copy of the application by calling the Neighborhood Services Division at (319)356-5230.
- 4. Homebuyer Education:** All buyers must complete Homebuyer Education through Horizons. This includes an online course and a follow-up meeting with a Horizons counselor to obtain a certificate of completion.
 - The online course can be found at www.ehomeamerica.org/horizons
 - The fee for the course is \$99 which will be reimbursed by the City or the lending institution once you provide proof of completion to City staff.

Purchasing a Home:

Preference Categories: The opportunity to purchase a home through the program is based on the following preference categories:

- (a) Any existing/former tenants of the selected properties.
- (b) Taylor Drive and Davis Street residents.
- (c) Residents of the broader project area and Iowa City Housing Authority Family Self-Sufficiency (FSS) participants.

If multiple applicants within a preference category are interested in a particular property, the opportunity to purchase will be based on a “first come first served” basis, determined by the date the application process was completed.

Purchase price: The purchase price will be determined by several factors including the price the city paid for the property, the cost of improvements, carrying costs, and the appraised value.

(over)

Down payment assistance: Funding is available to cover a down payment and carrying costs. Up to \$25,000 is available per household, but the actual amount will be determined through underwriting after all income and loan information have been received.

Buyer Requirements: Households must contribute a minimum of \$250 of their own funds towards the purchase. To ensure financial resources to sustain homeownership, the buyer must also demonstrate that they have at least two months of mortgage payments as housing expense reserves upon purchasing the home.

Program Agreements: In addition to the primary mortgage with a lender, homebuyers must sign two separate agreements upon purchase that will be secured by mortgages with the City.

1. HOME Recapture Agreement: This agreement is for the down payment assistance which is paid through federal HOME funds. If you receive less than \$15,000 the compliance period will be five years. If you receive \$15,000 or more, the compliance period will be ten years. If you move or sell the home during the compliance period, you will have to repay all or a portion of the down payment assistance that you received. If you keep the home as your principal residence during the compliance period, you will not be required to make any payments.
2. City Mortgage: This agreement has two parts. First, the program requires that the property remains owner-occupied for 21 years. The homebuyer or any subsequent buyer will not be able to obtain a rental permit during this time and must keep the home as their principal residence. Second, this agreement outlines requirements for the \$35,000 in rehab costs that were put into the home prior to purchase. These funds will be forgiven over 10 years, at a rate of \$3,500 per year. If you sell the home within 10 years, you will have to repay the remaining balance. If you sell after 10 years, you will not have to pay anything back.