



Homebuyer Assistance Program

**Downpayment and closing cost loans
for first time homebuyers.**

**Interest-free, forgivable loans to
income eligible buyers.**

**Available in Berkeley, Jefferson and
Morgan Counties.**

Call Community Development

304-264-2131 x 278

Eastern Panhandle HOME Consortium of WV

Equal Housing Opportunity



Eastern Panhandle HOME Consortium of West Virginia HOMEBUYER ASSISTANCE PROGRAM

WHAT IS HAP? A homebuyer assistance program (HAP) for first time homebuyers in Berkeley, Jefferson and Morgan Counties and the City of Martinsburg.

HAP provides income-eligible buyers with a deferred no-interest loan for downpayment and closing costs. The loan is forgiven if the buyer remains in the home for the term of the loan. The amount of the HAP loan depends on the buyer's need for assistance – it provides the gap funding to make the loan affordable to the buyer - the first mortgage payment is not more than 30% of monthly household income.

The funding source for the HAP program is the federal HOME Investment Partnership Program. All HOME regulations apply to the HAP program.

WHO CAN USE HAP?

- FIRST TIME HOMEBUYERS
- INCOME UNDER LIMITS BY HOUSEHOLD SIZE
- HOUSE MUST PASS CODE INSPECTION

HOW DOES HAP WORK?

- BE PREQUALIFIED BY A MORTGAGE LENDER
- COMPLETE HOMEBUYER EDUCATION
- BORROW UP TO \$20,000 FOR DOWNPAYMENT AND CLOSING COSTS
- HAP LOAN AMOUNT DEPENDS ON HOW MUCH THE HOMEBUYER CAN AFFORD TO BORROW WITH THE FIRST MORTGAGE – **THIS IS GAP FINANCING**
- LOAN TERMS IS 5 YEARS FOR LOANS UNDER \$15,000 and 10 YEARS FOR LOANS OF \$15,000 OR MORE
- ZERO INTEREST LOAN WITH NO REPAYMENT IF BUYER REMAINS IN THE HOME
- NO MONTHLY PAYMENT ON HAP LOAN



INCOME LIMITS BY HOUSEHOLD SIZE (as of June 2011)

Berkeley and Morgan Counties – all persons in household

1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
\$40,150	\$45,850	\$51,600	\$57,300	\$61,900	\$66,500	\$71,100	\$75,650

Jefferson County – all persons in household

1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
\$42,850	\$49,000	\$55,100	\$61,200	\$66,100	\$71,000	\$75,900	\$80,800

**FOR COMPLETE PROGRAM GUIDELINES & APPLICATIONS CONTACT
COMMUNITY DEVELOPMENT AT (304) 264-2131 EXT 278 OR**

pmcmillan@cityofmartinsburg.org

EQUAL HOUSING OPPORTUNITY

HAP PROGRAM REQUIREMENTS

Applicants Must:

- Secure a pre-qualification letter from a mortgage lender listing loan amount, rate and term. Only fixed-rate mortgages are allowed.
- **Complete homebuyer education** through an approved housing counseling program and obtain a certificate of completion. Contact Telamon at 304-263-0916 or Partnership for Affordable Housing at 304-725-6189 to register for a class.
- **Complete and Pre-application for a HAP Certificate of Eligibility.** The Certificate is valid for six months. This is not a reservation of HAP funds or a loan commitment.

Finding a Home / Reservation of HAP Funds:

- Homebuyer finds a suitable home within Berkeley County, the City of Martinsburg, Jefferson County or Morgan County (except Town of Bath). Eligible dwelling units may be attached or detached single family home.
- The HOME Administrator will work with the lender, REALTOR and homebuyer to determine the estimated HAP funding need for the downpayment and closing costs.
- The amount of HOME HAP funds is determined by the amount needed to qualify the purchaser with a first mortgage payment (Principal, Interest, Taxes and Homeowners Insurance) that does not exceed 30% of household's monthly income. .
- HAP funds will be reserved for 90 days on a first-come first-served basis after eligible applicants execute a sales contract on the home.
- All household members and income must be included in determining income eligibility (NOT just the borrower on the mortgage loan).
- The homebuyer must provide at least \$500 of their own funds toward the purchase. HAP closing cost assistance cannot be more that \$2,500.
- Request a code inspection. Property must meet local property codes. There is no charge for the inspection. Repairs must be made prior to closing.
- The HOME Administrator will review and approve all applications for Homebuyer Assistance Program funds and commitment of funds.

The HOME Administrator will provide all HAP loan agreement documents needed to secure the funds and ensure compliance with HOME program regulations and other federal requirements.

**For more information call Patricia McMillan, HOME Administrator
City of Martinsburg Community Development Department
(304) 264-2131 x 278 or pmcmillan@cityofmartinsburg.org**



**EASTERN PANHANDLE HOME CONSORTIUM OF WV
HOMEBUYER ASSISTANCE PROGRAM
PRE-APPLICATION**

I. HOUSEHOLD INFORMATION

Name: _____ Name: _____
 Home Phone: _____ Home Phone: _____
 Cell Phone: _____ Cell Phone: _____
 Work Phone: _____ Work Phone: _____
 Email address: _____

Address: _____
 Number Street City State ZIP

Current Housing Status: Own _____ Rent _____ Live with others: _____

Have You Owned a Home in the past three years? No _____ Yes _____ When? _____

Have You Completed a Housing Counseling Course? _____ No _____ Yes _____ Have certificate

Number of Persons in Household: _____

Annual Gross Household Income: \$ _____ *INCOME of all persons, regardless of whether or not they are included on the application for the first mortgage loan.*

List all persons living in the household whether or not they have income. Please List All Sources of Household Income Received by Each Household Member (over 18 years of age):

Name of Household Member	AGE	Source of Income for Members over 18 years	Gross Amount Per Pay	Number of Pays Per Year

*Please attach additional pages if needed.
 (Please see the attached Checklist for required verification documents regarding household income and housing counseling.)*

Please indicate the race of the head of household:

- | | |
|---|---|
| <input type="checkbox"/> White | <input type="checkbox"/> Other Multi-racial |
| <input type="checkbox"/> Black/ African American | <input type="checkbox"/> Black/African American & White |
| <input type="checkbox"/> Asian | <input type="checkbox"/> Asian & White |
| <input type="checkbox"/> American Indian/Alaskan Native | <input type="checkbox"/> Am. Indian/AI. Native & White |
| <input type="checkbox"/> Native Hawaiian/Other Pacific Islander | <input type="checkbox"/> Am. Indian/AI. Native & Black/African Am |

Is the head of household Hispanic? Yes No

Is the head of household disabled/handicapped? Yes No

Is the head of household female? Yes No

I do not wish to provide this information.

I certify that the information provided is correct to the best of my knowledge.

Signature: _____ Date: _____

Signature: _____ Date: _____

Please List All Assets Below: Including, but not limited to cash held in savings accounts, checking accounts, certificates of deposit, safe deposit boxes, trusts, stocks, bonds, retirement accounts, investment property, cash surrender of life insurance policies, one-time receipts such as money received from an estate, etc. (Do not include necessary personal property, such as vehicles, clothing, and furniture.):

Name of Household Member	Type of Asset	Current Balance	FOR OFFICE USE ONLY Actual Income from Asset

Please attach additional pages if needed. (Please see the attached Checklist for required verification documents regarding assets.)

II. DWELLING ELIGIBILITY OF PROPERTY UNDER CONTRACT

Dwelling Address: _____

Current Status of Dwelling: Vacant _____ Occupied _____ New Construction _____

Dwelling Type: Single Family _____ Duplex _____ Townhouse _____ Multi-Unit _____

Is this property: Foreclosure Sale: _____ "Short Sale" _____

Name of Current Property Owner: _____

Current Property Owner's Phone Number(s): _____

Listing Price for Dwelling: \$ _____

Name of Listing Realty Company/Realtor Contact:

Realty Company Telephone Number/Email: _____

Name of Buyer's Realtor/ Contact Person: _____

Contact information of Buyer's Mortgage officer and Lending Company:

Will this Dwelling be Your Primary and Principal Place of Residence? Yes ___ No ___

III. CERTIFICATION

By signing below, I/we, certify, under penalty of law, that the information provided in this Pre-Application is truthful and accurate.

Signature *Date*

Signature *Date*

FOR OFFICE USE ONLY

Date Received: _____

PRE-APPLICANT ELIGIBILITY

1. Section 8 Income Limit for a Household Size of _____ is \$ _____.

2. Pre-applicants' Household Annual Gross INCOME (Compute using table/verification on p.1):

3. Total Current Balance of Assets: _____

4. Total Actual Income from Assets: _____

5. If #3 is greater than \$5,000, multiply line by the Passbook Rate of .02, and total here (otherwise leave blank): _____

6. Enter the **greater** of #4 and #5 here: _____ (ASSETS)

7. Add #6 and #2 and total here: _____ **THIS IS THE TOTAL HOUSEHOLD ANNUAL INCOME.**

8. Compare #7 to #1.

Is the applicant Low and Moderate Income (LMI) Status: Yes _____ No _____

30 Percent of Monthly Income: \$ _____

Monthly Principal-Interest-Tax-Insurance (PITI) Housing Cost: \$ _____

Does PITI Exceed 30Percent of Monthly Income? Yes _____ No _____

Exception:

EASTERN PANHANDLE HOME CONSORTIUM OF WV HOMEBUYER ASSISTANCE PROGRAM CHECKLIST

HOUSING COUNSELING:

Attendance and completion of a housing counseling course is mandatory. Evidence of having completed housing counseling is required with the submission of the Pre-Application form. Acceptable forms of documentation are as follows:

- DIPLOMA
- CERTIFICATE
- LETTER OF COMPLETION (from course instructor/organization)

HOUSEHOLD INCOME INCLUDES:

- Head of Household's income (i.e., employee salary; pension; social security; asset income; or other income).
- Spouse's/Partner's income (as shown above).
- Rent payments obtained from apartments, leases, roomers or boarders.
- Related adults (age 18 years or older) such as aunts, uncles, grandparents, nieces, nephews, cousins, etc.
- Unrelated adults.
- Child Support and Alimony payments

INCOME DOCUMENTATION TO BE SUBMITTED:

- Income Tax Documents: IRS 1040 (signed and filed), W-2 or SSA-1099-SM Forms; and the following as applicable;
- Employment Stubs: Please submit salary stubs for the most recent, continuous two-month period.
- Pension, Disability, Social Security or Social Services Benefits: Please submit one of the following: Documentation from the Social Security Administration Office; a copy of the award letter; or a copy of a regular benefit check.
- Child Support or Alimony: Please submit legal documentation identifying award amount.

ASSET DOCUMENTATION TO BE SUBMITTED:

- Savings Accounts: *Banking statement or other evidence of current balance and interest rate.*
- Checking Accounts: *Banking statements for the most recent 6 months; or documentation from the bank that verifies the average monthly balance over the most recent 6-month period.*
- Other Assets: *Statement or other verification of the current value and any income received from the asset.*

PLEASE NOTE: YOUR APPLICATION WILL NOT BE PROCESSED UNLESS ALL REQUIRED DOCUMENTATION IS SUBMITTED WITH THE APPLICATION

EASTERN PANHANDLE HOME CONSORTIUM HOMEBUYER ASSISTANCE PROGRAM TERMS AND CONDITIONS

The following are the key terms and conditions of the Eastern Panhandle HOME Consortium Homebuyer Assistance Program. Please read carefully.

1. The pre-applicant must be a first time homebuyer. By definition, the pre-applicant has not previously owned a home in the past three years or can qualify as being a displaced homemaker.
2. The pre-applicant must qualify as a low-and-moderate income person as determined by the U.S. Department of Housing and Urban Development (HUD). HUD's Section 8 Income Guidelines effective **May 31, 2011** are:

Berkeley and Morgan Counties (Hagerstown-Martinsburg MSA)							
1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
\$40,150	\$45,850	\$51,600	\$57,300	\$61,900	\$66,500	\$71,000	\$75,650
Jefferson County (Metro Washington MSA)							
1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
\$42,850	\$49,000	\$55,100	\$61,200	\$66,100	\$71,000	\$75,900	\$80,800

3. The dwelling to be purchased must meet the following criteria:
 - It must be located within Berkeley County, Jefferson County (except within municipal boundaries of the Town of Bolivar and the Town of Harpers Ferry), Morgan County, or the City of Martinsburg, West Virginia.
 - It must be in compliance with the currently adopted International Property Maintenance Code.
 - It must be a single-family detached home, row structure, duplex, or multi-unit residence.
 - Double wide mobile homes must be newly built on permanent foundation.
 - It must not contain evidence of defective paint surfaces (i.e., surfaces on which the paint is cracking, scaling, chipping, peeling or loose) on all intact and non-intact interior and exterior painted surfaces. If the dwelling to be purchased does contain defective paint surfaces, the City of Martinsburg reserves the right to deny homebuyer assistance through this Program for the purchase of that particular dwelling unit.
 - It must be occupied as the primary and principle residence of the first time homebuyer.
 - It cannot be financed through a land contract or rent to own contract.
4. **Completion of a housing counseling course is required. Proof of completion of such a course will be required with the submission of the pre-application form. Courses are to be determined.**
5. The City of Martinsburg may provide up to \$20,000 as a forgivable loan to eligible and approved pre-applicants to cover the costs associated with reasonable down payment and closing cost expenses, reduction of mortgage principal, and minor repairs to meet local property codes. The total amount of assistance provided will be determined on a case-by-case basis. The approved pre-applicant must provide a minimum of \$500.00 of the identified down payment and closing cost total, whichever is the greater of the two. In any event, the cap on allowable closing costs is \$2,500.

6. **The forgivable loan term, also called the “affordability period,” is five years for loans less than \$15,000, and ten years for loans of \$15,000 or more.** The minimum loan is \$1,000. A lien will be placed on the property purchased. If the approved applicant purchases a dwelling and maintains ownership and residence for the entire affordability period, the loan is forgiven as a grant. If the approved applicant sells, leases, or transfers the dwelling or does not use it as the primary and principal residence, the approved applicant must repay the remaining principal balance of the loan, in accordance with the *Homebuyer Assistance Program Guidelines*, Section II. Terms and Conditions, D. Loan Term and Affordability.
7. During the loan term, the approved applicant must keep the dwelling and related property in compliance with the minimum property maintenance code requirements of the City of Martinsburg. Furthermore, the City reserves the right to inspect said dwelling and related property at any time during the loan term in order to monitor compliance with the property code. Failure to keep the dwelling and related property to code standards will result in the repayment of the entire amount of assistance provided under this program.
8. **Loan Amount and Affordability:**
 - ❑ The amount of the HAP loan will be determined by the amount of funds required to make the first mortgage affordable. The first mortgage monthly payment of Principal, Interest, Taxes and Insurance (PITI) should not be greater than thirty percent (30%) of the homebuyer’s monthly income. The City reserves the right to evaluate the homebuyer’s affordability ratio and approve the HAP loan amount.
 - ❑ The applicant is expected to seek a first mortgage loan with the most affordable and favorable terms. Applicants are expected to seek mortgage financing using the West Virginia Housing Development Fund mortgage programs, the USDA Rural Development mortgage programs or equivalent mortgage products.
 - ❑ Purchase value of the dwelling cannot exceed HUD’s Section 203 (B) limit. In 2008, the limit was **\$286,900. The limit is subject to change.**

I/We understand and agree to abide with the above-referenced terms and conditions.

Pre-Applicant’s Signature

Date

Pre-Applicant’s Signature

Date

EASTERN PANHANDLE HOME CONSORTIUM OF WV
HOMEBUYER ASSISTANCE PROGRAM

Enclosed with your pre-application form for the Homebuyer Assistance Program is a pamphlet entitled "***Protect Your Family from Lead in Your Home***". After reading this pamphlet carefully, please sign and date in the space shown below and return this form along with your completed pre-application form.

PRINT FULL NAME(S): _____

PRINT FULL NAME(S): _____

CURRENT ADDRESS: _____

SIGNATURE(S): _____

DATE: _____

SIGNATURE(S): _____

DATE: _____

**EASTERN PANHANDLE HOME CONSORTIUM
OF WEST VIRGINIA**

**HOMEBUYER ASSISTANCE PROGRAM
GUIDELINES**

**City of Martinsburg
Berkeley, Jefferson, and Morgan Counties**

Administered by the
Community Development Department
City of Martinsburg, West Virginia
232 North Queen Street, 2nd Floor
Martinsburg, West Virginia 25401
(304) 264-2131, ext. 278
www.cityofmartinsburg.org

Revised August 2011

INTRODUCTION

The Eastern Panhandle HOME Consortium of West Virginia is responsible for providing HOME Program funds to meet housing needs for its member jurisdictions. The City of Martinsburg is the lead governmental body for the HOME Consortium and administers to the program. It has been documented through the City of Martinsburg's Fair Housing Analysis, Consolidated Plan that there is a need for homeownership opportunities for low-to-moderate income person(s), families or households.

To address this need, the Eastern Panhandle HOME Consortium, through the use of HOME Investment Partnership funds ("HOME"), has established the Homebuyer Assistance Program (HAP) for the City of Martinsburg, Berkeley County, Jefferson County and Morgan County, West Virginia. The HAP's purpose is to assist eligible families or households to become homeowners through downpayment and closing cost assistance. To make home ownership an affordable reality, the HOME Consortium has formed a working partnership among the local lending institutions and realtors.

The Homebuyer Assistance Program does not find eligible properties for potential program applicants. It is the applicant's responsibility to find a vacant single family house, row house, duplex, or multi-unit residence. The dwelling unit must be located within Berkeley County, the City of Martinsburg, Jefferson County (excluding the Town of Bolivar and the Town of Harpers Ferry) or in Morgan County (excluding the Town of Bath).

I. ELIGIBILITY CRITERIA AND DEFINITIONS

A. Income

The funding source for the HAP is the U.S. Department of Housing and Urban Development's (HUD's) HOME Program and the Community Development Block Grant Program (CDBG). Because federal dollars are involved, the City is required to comply with certain federal regulatory requirements.

Under the HOME Program's regulations a qualifying applicant for the HAP must be a low-and-moderate income person, family or household as defined under HUD's Section 8 Income Guidelines for the appropriate Metropolitan Statistical Area. The income guidelines are subject to change. Effective **May 31, 2011**, the guidelines are as follows:

Berkeley and Morgan County (Hagerstown-Martinsburg MSA)

1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
\$40,150	\$45,850	\$51,600	\$57,300	\$61,900	\$66,500	\$71,000	\$75,650

Jefferson County (Washington Metropolitan MSA)

1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
\$42,850	\$49,000	\$55,100	\$61,200	\$66,100	\$71,000	\$75,900	\$80,800

B. Income Sources

Household income for this program will be based upon total gross annual income of all household members. The definition of annual income shall be consistent with the federal regulation found at 24 CFR Part 5.609. **Annual income shall be all anticipated income from all sources received by the head of household, spouse and by each additional member (aged 18 years and older) of the family or household, related or unrelated,** including net income derived from assets, for the twelve month period following the initial determination of income. **All household income must be reported regardless of who the loan applicant is or will hold title to the property.** Annual income includes, but is not necessarily limited to:

- Wages, salaries, tips, commissions, etc.
- Self-employment income from own non-farm business, including proprietorships and partnerships.
- Farm self-employment income.
- Social Security or railroad retirement.
- Supplemental Security Income, Aid to Families with Dependent Children, or other public assistance or public welfare program.
- Retirement, survivor, or disability pensions.
- Any other sources of income received regularly, including Veterans' Administration (VA) payments, unemployment compensation, and alimony.

Acceptable proof of income shall include, but not necessarily be limited to, the previous year's filed federal tax return (IRS 1040) and W2 forms; current wage and earning statements; copies of recent wage/salary or benefit check stubs; and copies of bank depository information identifying direct deposit arrangements. The City of Martinsburg reserves the right to request additional income documents such as third party verifications of all income and assets as needed.

C. First Time Homebuyer

For the purposes of the HAP, a "first time homebuyer" shall be defined as a person, family or household whereby:

- The purchasers must not have owned a home within the past three years; or
- A displaced homeowner situation exists whereby a home is lost due to unemployment, underemployment or other economic loss; or
- A displaced homeowner situation exists whereby the homeowner has not worked full-time, full year in the labor force for a number of years, worked primarily without remuneration to care to the home or family, and who is unemployed or underemployed.

D. Dwelling Requirements

To comply with federal regulations and to ensure safe, decent and affordable housing to potential HAP applicants, the following criteria apply in the selection of a dwelling:

- ❑ The dwelling unit must be located within the geographic limits of Berkeley County, the City of Martinsburg, Jefferson County (excluding Town of Bolivar and Town of Harpers Ferry) or Morgan County (excluding the Town of Bath).; and
- ❑ It must be in compliance with the currently adopted International Property Maintenance Code or be capable of being brought up to code at a minimal cost; and
- ❑ It must be a single family detached home, row structure, duplex, or multi-unit residence, excluding single-wide manufactured homes; and
- ❑ It must not contain evidence of defective paint surfaces (i.e., surfaces upon which paint is cracking, scaling, chipping, peeling or loose) on all intact and non-intact interior and exterior painted surfaces. If the dwelling unit contains defective paint surfaces, the City of Martinsburg reserves the right to deny homebuyer assistance through the HAP for the purchase of the subject property; and
- ❑ It will be occupied as the primary and principal residence of the first time homebuyer; and
- ❑ The purchase of the dwelling unit cannot be financed through a land contract or seller financing.

E. Affordability Requirements

- ❑ To analyze affordability, the HOME Administrator at City of Martinsburg shall review on a case-by-case basis (with reasonable discretion) the thirty percent (30%) monthly housing expense ratio of individual, family or household gross monthly income. The amount of the HAP loan will be determined by the amount of funds required to make the first mortgage affordable. The first mortgage monthly payment of Principal, Interest, Taxes and Insurance (PITI) should not be greater than thirty percent (30%) of the homebuyer's monthly income. PITI up to thirty-three percent (33%) is the maximum exception. The City reserves the right to evaluate the homebuyer's affordability ratio and approve the HAP loan amount.
- ❑ The purchase value of the single family, detached dwelling cannot exceed the U.S. Department of Housing and Urban Development's (HUD's) Section 203(B) of the National Housing Act (12 U.S.C. 1709(b)) (February 2008), limit of **\$286,900** for a single-family dwelling.

F. Homebuyer Education Requirement

The HAP requires all applicants to complete a homebuyer education course prior to closing the loan. Evidence of attendance and completion of a homebuyer education course is required in completing a HAP Pre-application. Acceptable forms of evidence include course diploma, certificate, and/or letter from the course instructor/entity. Homebuyer education and housing counseling is offered through the following organizations, including, but not limited to: Partnership for Affordable Housing, Telamon Corporation, Hagerstown Home Store, and Consumer Credit Counseling Services of Southern West Virginia (office in Martinsburg).

II. TERMS AND CONDITIONS

A. Ranking Criteria

The HOME Administrator reserves the right to review and rank Pre-application submissions on the basis that best serves the financial and productivity goals of the HAP.

B. Loan Amount Determination and Assets

Homebuyers are expected to seek a first mortgage on the most affordable and favorable terms possible. They should try to obtain a West Virginia Housing Development Fund Mortgage, a USDA Rural Development Direct mortgage or equivalent mortgage product. **The first mortgage must be a fixed rate loan with a term of 30 or more years. Adjustable rate first mortgages will not be approved. Loans with co-signers will not be approved.** The City of Martinsburg may provide up to \$20,000 in HOME and/or CDBG funds, as applicable, as a forgivable loan, at zero interest, to eligible and approved HAP applicants to cover the down payment and closing costs related to the purchase of a dwelling. The amount of down payment assistance is determined by that which is reasonable and customary. The total amount of assistance will be determined on a case-by-case basis. The homebuyer must provide a minimum of \$500.00 of their own funds toward the total down payment and closing cost expenses. In any event, closing cost assistance through HAP funds is limited to \$2,500. Homebuyers with liquid, non-retirement assets greater than \$15,000 are expected to use those excess funds toward the purchase of the home and may not qualify to borrow HAP funds. Gift funds to the homebuyer for the purchase may not exceed \$5,000.00.

C. Loan Term and Affordability Period

The HAP allows for a forgivable loan with a term of five years for loans less than \$15,000 and for ten years for loans of \$15,000 or more. The loan term is also referred to as the **affordability period**. The City of Martinsburg will place a lien on the property purchased with HOME or CDBG assistance, as applicable, and the City will subordinate to the first mortgage. If the HAP applicant has maintained ownership and has continued to live in the property assisted through the HAP for the entire affordability period, the loan is forgiven as a grant. If the HAP-assisted homeowner sells, leases or transfers the dwelling, or fails to use it as the primary and principal residence, the homeowner will be required to pay the principal balance of the HAP loan to the City.

1. For HAP loans less than \$15,000, the term of the loan (recapture period) is five (5) years (Sixty (60) months).

- a. The HAP loan is amortized over the term of the loan with the principal balance declining by twenty percent (20%) of the initial loan amount each year for five (5) years.
- b. During the term of the HAP loan, in the event ownership of the property is transferred, as defined in the Promissory Note, from the name of the homebuyer, or the property is no longer occupied as the homebuyer's principal residence, the principal balance of the HAP loan is immediately due and payable to the City.
- c. Requests for subordination of the HAP loan for refinance purposes will not be honored.
- d. In the event of resale of the property during the term of the HAP loan, repayment of the HAP loan is determined by the availability of net proceeds. Net proceeds of a sale are the sales price minus closing costs and any non-HAP loan repayments.

i. In the event net proceeds exceed the amount to repay both the homeowner's investment and the principal balance of the HAP loan, excess proceeds will be paid to the homeowner. The homeowner's investment consists of the portion of initial down payment paid by the homebuyer combined with the cost of any capital improvements made with the homebuyer's funds. The homeowner's investment in the property must be documented at the time of the resale.

ii. In the event that net proceeds are not sufficient to repay the HAP loan, the principal balance at the time of resale will be forgiven.

2. **For HAP loans equal to or greater than \$15,000, the term of the loan (recapture period) is ten 10 years (One Hundred Twenty (120) months.)**

- a. The HAP loan is amortized over the term of the loan with the principal balance declining by Fifteen Thousand Dollars (\$15,000.00) over the first five (5) years of the term. The amount of annual principal reduction for each of the first five (5) years is determined as a fixed percentage of the initial loan amount that will result in reducing the initial loan amount by Fifteen Thousand Dollars (\$15,000.00) over the first (5) five years of the term.

The remaining principal balance (initial loan amount less Fifteen Thousand Dollars (\$15,000.00) is amortized over the remaining five (5) year term of the loan in five (5) equal increments. At the end of the ten (10) year term, the loan is forgiven.

- b. During the term of the HAP loan, in the event ownership of the property is transferred, as defined in the Promissory Note, from the name of the homebuyer, or the property is no longer occupied as the homebuyer's principal residence, the principal balance of the HAP loan is immediately due and payable to the City.
- c. Requests for subordination of the HAP loan for refinance purposes will not be honored.
- d. In the event of resale of the property during the term of the HAP loan, repayment of the HAP loan is determined by the availability of net proceeds from the sale of the property. Net proceeds of a sale are the sales price minus closing costs and any non-HAP loan repayments.
- i. In the event net proceeds exceed the amount to repay both the homeowner's investment and the principal balance of the HAP loan, excess proceeds will be paid to the homeowner. The homeowner's investment consists of the portion of initial down payment paid by the homebuyer combined with the cost of any capital improvements made with the homebuyer's funds. The homeowner's investment in the property must be documented at the time of the resale.
- ii. In the event that net proceeds are not sufficient to repay the HAP loan, the principal balance at the time of resale will be forgiven.

HAP LOAN REPAYMENT SCHEDULE - Example

Year	10 Year Term			5 Year Term		
1	\$20,000	\$18,000	\$16,500	<\$15,000	\$10,000	\$8,500
2	\$17,000	\$16,200	\$15,600	\$12,000	\$8,000	\$6,800
3	\$14,000	\$14,400	\$14,700	\$9,000	\$6,000	\$5,100
4	\$11,000	\$12,600	\$13,800	\$6,000	\$4,000	\$3,400
5	\$8,000	\$10,800	\$12,900	\$3,000	\$2,000	\$1,700
6	\$5,000	\$3,000	\$1,500			
7	\$4,000	\$2,400	\$1,200			
8	\$3,000	\$1,800	\$900			
9	\$2,000	\$1,200	\$600			
10	\$1,000	\$600	\$300			

	10 Year Term			5 Year Term		
Loan Amt	\$20,000	\$18,000	\$16,500	<\$15,000	\$10,000	\$8,500
Less	-15,000	-15,000	-15,000			
Yr. 6 bal.	5,000	3,000	1,500			
Year 1-5 Reduction	-\$3,000	-\$1,800	-\$900	-\$3,000	-\$2,000	\$1,700
Year 6-10 Reduction	-\$1,000	-\$600	-\$300			

D. Uniform Relocation Act

Because the HAP applicant, not the City of Martinsburg, will take responsibility for the selection and negotiation of a dwelling unit, the requirements of the Uniform Relocation and Real Property Acquisition Policies Act of 1970 (URA) are not triggered. The City reserves the right to deny assistance in circumstances in which compliance with the URA may be required.

E. Flood Insurance

On any property purchased with the assistance of the HAP and located within a 100-year floodplain, the purchase of federal flood insurance is required annually during the five-year term of the loan. The City reserves the right to withhold and/or deny participation in the HAP if the applicant fails to comply with this requirement prior to the loan closing. Furthermore, if the flood insurance on the assisted property lapses during the term of the loan, the HAP applicant will be required to repay the entire amount of the loan.

F. Property Maintenance

During the term of the HAP loan, the HAP applicant must keep the dwelling and property in compliance with the HOME Program code requirements. Failure to do so will result in the repayment of the entire amount of the loan

III. ADMINISTRATIVE PROCEDURES

A. Regulations

The City of Martinsburg shall be responsible for compliance with the HAP's environmental review requirements and income verification requirements.

B. Dwelling Inspection

The City of Martinsburg and the participating jurisdictions shall be responsible for inspecting the dwelling unit for local code compliance.

IV. APPLICATION PROCESS

The following is a suggested format for making application for the HAP:

1. Any interested person, family or household (interested party) may request from the City's Community Development Department (CDD) a copy of the HAP guidelines.
2. The interested party completes Homebuyer Education.
3. The interested party submits a completed Pre-application for a **HAP Certificate of Eligibility**. The Certificate is valid for six months from the date issued. Pre-applicants determined to not be eligible will be notified via certified mail.
4. The interested party obtains a mortgage loan pre-qualification letter, Form 1003 and Good Faith Estimate (Form 1008) from a lender. City will confer with the interested party and the lender to determine estimated HOME/CDBG funding needed.
5. The interested party takes responsibility to select an eligible dwelling unit as set forth under Section II D (Dwelling Requirements) and requests from the CDD a Pre-Application packet.

6. The pre-applicant **executes a contract of sale** including a contingency of mortgage financing and HAP loan approvals.
7. The pre-applicant's mortgage lender and/or realtor contact the City to determine the agreed upon purchase price of the dwelling, the down payment amount required and the loan closing cost.
8. The City provides the pre-applicant with a **Reservation of Funds** which is valid for ninety (90) days.
9. The City secures and inspection of the subject property for HAP compliance: (i.e., Housing Quality Standards and International Property Maintenance Code (currently adopted code). Notification of the dwelling unit's compliance or non-compliance will be communicated to the Pre-applicant, the lending institution and the real estate company.
10. In the event it is found that the dwelling does not pass the code inspection, the Pre-applicant may select another program eligible dwelling or negotiate with the property owner to correct the code deficiencies.
11. The City reviews the financial information obtained and conducts an Affordability Analysis for program compliance. If compliance is met, the City determines the actual amount of HAP assistance and so notifies the applicant, the lender and/or the realtor.
12. The City and lender establish a mutually agreed loan closing date. Several lead business days will be needed to have HAP funds available for the loan closing.
13. The City prepares lien documents for signing at the loan closing. Prior to the loan closing a City representative will provide a check payable to the closing attorney for the benefit of the HAP borrower in an amount approved by the City.