

**Cumberland County HOME Consortium
 HOMEPORT Program Guidelines
 Single Family First-time Home Buyer Program**

The Cumberland County HOME Consortium (CCHC) is a consortium of cities and towns throughout Cumberland County, formed by a Mutual Cooperation Agreement to provide low and moderate income persons and families affordable financing assistance for existing housing rehabilitation, first-time homebuyers, and new construction. The CCHC is approved and funded by the U.S. Department of Housing and Urban Development (HUD) under the HOME Investment Partnerships Program (HOME) to take a regional approach to affordable housing.

The City of Portland’s Division of Housing and Neighborhood Services will administer the Cumberland County HOME Consortium’s housing activities. Contact Ronda Jones at 874.8698, or rej@portlandmaine.gov

Purpose:

To provide opportunities for low-moderate income families to purchase homes in Cumberland County.

Eligible Applicants:

Families and individuals at or below 80% of the median income by family size for the following communities

Income Requirements Effective as of July 13, 2011

Communities of:

Baldwin, Bridgton, Brunswick, Harpswell, Harrison, Naples, New Gloucester, Pownal, Sebago

Household Size	1	2	3	4	5	6	7	8
Income Limit	\$36,200	\$41,400	\$46,550	\$51,700	\$55,850	\$60,000	\$64,150	\$68,250

Communities of:

Cape Elizabeth, Casco, Cumberland, Falmouth, Freeport, Gorham, Gray, Long Island, North Yarmouth, Portland, Raymond, Scarborough, South Portland, Standish, Westbrook, Windham, Yarmouth

Household Size	1	2	3	4	5	6	7	8
Income Limit	\$40,500	\$46,300	\$52,100	\$57,850	\$62,500	67,150	\$71,750	\$76,400

A first-time buyer is defined as a buyer who has not owned a home within the last three years. Displaced homemakers and single parents may have previously owned a home in the last three years but can no longer own a home at the time of application.

A cash down payment requirement is 1% of purchase price or \$1,000, whichever is greater. This amount cannot be borrowed. However, gifts from family members or friends are allowed.

Applicants need to have good credit, stable income, must agree to occupy the home purchased as their principal place of residence and must meet the underwriting criteria of the participating lender.

Eligible Properties:

1. A single-family home or condominium in Cumberland County.
2. The property must meet federal Housing Standard Quality Standards (HQS) at the time of sale or following rehabilitation work performed as part of the transaction.
3. Purchase price or after-rehab value limit must not exceed 95 percent of the median purchase price for the area, as published by HUD. Currently, the limit is **\$256,025**.

4. Applicants are required to have the property inspected by a home inspector of their choice. The cost of this inspection is the responsibility of the applicant. This inspection will be in addition to the HUD Housing Quality Standards (HQS) inspection completed by a City of Portland Rehabilitation Specialist.
5. Purchase and Sale Agreements must have a minimum 60-day closing period.

Other Program Requirements:

1. The Borrower is required to use the property as their primary residence for the life of the mortgage. If the Borrower sells or leases the property, proceeds from monthly rents or the sale may be subject to a recapture. All loans are due on sale, transfer or refinancing. All federally assisted acquisition projects must undergo a visual assessment of all painted surfaces in order to identify deteriorated paint. Any painted surface found to have deteriorated paint must be stabilized and cleared in accordance with 24 CFR Part 35, Subpart K §35.1015
2. Purchase condition:
 - a. The Borrower must be current on all property taxes and service fees due.
 - b. The Borrower must complete a series of homeowner courses, as provided by a hoMEworks certified provider. Course schedules are available at <http://www.mainehomeworks.org/>.
 - c. The Borrower is not allowed to own any other real estate.
 - d. The Borrower's net liquid assets (e.g. cash in the bank) must be \$15,000 or less.

Net Liquid Assets include but are not limited to the following:

- Checking or savings accounts
- Money market or CD accounts
- Stocks not set aside specifically for retirement or education

The following are not considered net liquid assets:

- Treasury or savings bonds
- 401k plans
- Roth IRAs
- Retirement or Pension funds; Roll-over IRAs or traditional IRAs

3. Current HUD recapture provisions will apply at the time of sale, transfer, refinancing or application for additional financing of the property. See "Recapture Provisions" below.

Sources of Financial Assistance:

1. CCHC Participation:
 - a. In combination with a bank purchase loan, the City of Portland will provide a loan of **up to \$30,000** at 0% interest with a term of "due on sale or transfer" for purchase and general rehab.

If there are lead paint hazards in the home, an additional loan of up to \$15,000 to perform lead remediation may be made available. The loan for lead hazard remediation will be a deferred grant secured by a mortgage deed on the property that will be forgiven over a period of ten years as long as the borrower continues to occupy the property as their primary residence. If the property is sold or otherwise transferred prior to the 10-year period, a descending balance will be owed upon transfer of title. Bank's loan requires monthly payments.

- b. The amount of the Cumberland County HOME Consortium's loan will be the sum of:
 - The gap between the amount of the bank purchase loan and the purchase price. [Bank purchase loan = principal, interest, taxes, & insurance (PITI) payments at no less than 28% of income and no more than 33% of income (unless otherwise approved)].
 - Plus, the amount needed for closing costs above what the applicant can afford.
 - Plus, the amount needed for rehabilitation work to bring the property up to Federal Housing Quality Standards and to identify and correct lead paint hazards.
- c. The Cumberland County HOME Consortium's loan will not be used to lower the applicant's

housing debt ratio below 28%.

2. Bank Participation:

Bank loans are paid on a monthly basis; these are not due on sale or forgivable loans.

- a. Mortgage rate will be the current market fixed rate. This rate will be set at application and will be fixed for the term (30 years).
- b. Banks may charge Seller 2 points based on the bank loan amount.
- c. Banks will not charge an application fee or any other fees unless previously approved by City staff. Insurance and tax payments are escrowed with the bank.
- d. Underwriting Criteria: - Banks will underwrite loans using criteria specifically established for this program.
 - (1) Nominal qualifying ratios - 28% to 33% with a total debt ratio of 41%. The maximum ratios can be higher with compensating factors so long as the City and bank agree that applicant can afford higher debt ratios.
 - (2) Total loan package not to exceed 100% of the appraised value unless approved on a case-by-case basis.
 - (3) Mortgage Insurance will not be required except on a case-by-case basis, as determined by the participating bank and the CCHC.

Application Process (Summary)

1. Applicants are required to attend home ownership training classes prior to approaching the City or a participating bank. (Course schedules available at www.mainehomeworks.org)
2. The City of Portland will evaluate interested applicants to determine income eligibility.
3. The City of Portland will issue a pre-approval letter indicating that the interested applicant is eligible and that funds have been reserved.
4. Once the applicant has received a pre-approval letter from the City, they may contact a participating Bank. The Bank will evaluate interested applicants on income, cash available and affordable range of purchase price.
5. The Applicant selects a property and obtains sales contract contingent on financing.
6. The Bank takes loan applications and notifies the City of probable loan amounts. The Bank provides the City with all required program information. The City will put a hold on those funds for 60 days, or up to 90 days if rehab and/or lead abatement work will be required.
7. The appraisal is not ordered until the City has reviewed the file for meeting Federal eligibility criteria and until a Housing Quality Standards (HQS) and a visual inspection for deteriorated paint has been completed. If the house meets Housing Quality Standards the appraisal can be ordered at this time. If it needs rehab and/or lead hazard reduction work, the City will prepare the specifications. Once specifications have been approved by the purchaser, Bank and the City, an "as repaired" appraisal can be ordered.
8. If rehab and/or lead hazard reduction work is involved, the purchaser, with City assistance, obtains bids and contracts from contractors for the rehab and lead hazard reduction work while waiting for the appraisal.

9. After the appraisal is completed and the bank has underwritten the loan, the City will review the entire transaction prior to the issuance of commitment letters from both the bank and the City.
10. The Bank and the City will hold loan closings simultaneously. If the property needs rehabilitation and/or lead hazard reduction work, the applicant will execute an Assignment of the construction escrow account to the City at closing.
11. City Rehab and/or Lead Hazard Reduction Procedures are followed. After final inspection by the City, construction and lead abatement escrow accounts are closed out. The Bank may request a copy of the final inspection report.

The applicant must be willing to risk the cost of the credit report, property inspection, and the appraisal. If sale closes, these costs can be financed as part of the loan.

Participating HomePort Banks

TD BANK

Sharon Brobst 317-8907
Sharon.Brobst@TDBanknorth.com
 70 Gray Road, Falmouth ME 04105

Kelly Hodgkins 317-4841
Kelly.Hodgkins@TDBanknorth.com
 70 Gray Road, Falmouth ME 04105

NORWAY SAVINGS BANK

Dana M. Tait 482-7907 or 741-9100
dtait@norwaysavingsbank.com
 207 Waterman Drive, So. Portland ME 04106

Kati Chandler 879-4307 or 482-7939
kchandler@norwaysavingsbank.com
 120 Exchange Street, Portland ME 04101

Karen Perry, 774-5000 or 482-7905
kperry@norwaysavingsbank.com
 1200 Congress Street, Portland ME 04102

RURAL DEVELOPMENT

Jessie L. Archer 883-0159 x 125
Jessie.Archer@me.usda.gov
 306 US Route 1 Suite B1 Scarborough ME 04074

KEYBANK NATIONAL ASSOCIATION

Tom Lavoie 671-0599
Tom_Lavoie@KeyBank.com

BANGOR SAVINGS BANK

Irene Oldfield 541-2720 or 949-4489
Irene.Oldfield@bangor.com
 180 Waterman Dr So Portland ME 04106

GORHAM SAVINGS BANK

Katherine Damon 595-1457 or 839-3994
kdamon@gorhamsavingsbank.com
 10 Wentworth Drive Gorham ME 04038

BATH SAVINGS INSTITUTION

Liz Rogers 523-1133
erogers@bathsavings.com
 46 Auburn St Portland ME 04103

Recapture Provisions:

- A. In the event that you sell the property, or no longer use it as your primary residence, or refinance the loan, or prepay the amount of this note in full, you must repay the principal amount of this City loan plus a percentage of the net gain. The property must be retained as the principal residence by the owners for the life of the loan. Subletting a HOMEPORT property, even on a temporary basis, is not permitted.
- B. The City will not subordinate, except to the Bank's purchase loan. The one other exception to this will be for a home improvement loan for essential maintenance or improvement, as approved by the City.
- C. The homeowner must repay the HOME investment, plus a percentage of the gain, as outlined below, to the City when refinancing, prepaying the loan, or selling the house.
- D. Current Federal rules, as well as City policy, apply to the repayment of the HOMEPORT loan. The amount of the loan that must be repaid is figured as follows:
- (1). Definitions:
 - Net proceeds equal the sales price or appraisal at refinancing minus principal repayment on the bank loan and closing costs.
 - Allowable closing costs are seller's points, legal fees, transfer tax and real estate commission.
 - Owner's equity at time of sale equals the original purchase loan amount less the outstanding principal amount on the purchase loan and the original down payment amount, plus the amount of any capital improvements made on the Property. Capital improvements shall be those improvements made to the property exclusive of routine maintenance and repair.
 - Net gain is equal to the resale price or appraisal at refinancing less repayment of outstanding principal on the Bank purchase loan, closing costs, owner's equity, and the loan amount.
 - Purchase price is the original price for which the first time homebuyer purchases the home.
 - (2). When the net proceeds are sufficient to repay the full HOMEPORT loan as well as the owner's equity, the full loan is repaid. Then the net gain is shared between the City and the owner on the following basis. The City loan amount divided by the purchase price, multiplied by the net gain shall determine the City's share of the gain. In no event shall the City's share of the net gain exceed 30% of the net gain.
 - (3). If the net proceeds are insufficient to repay both the HOMEPORT loan and the owner's equity, the City will recapture a prorated share of the net proceeds to pay off a portion of its loan. This prorated share will be the amount of the City's loan divided by the sum of the City's loan and the owner's equity. The resulting percentage shall then be multiplied by the net proceeds. This amount shall be paid to the City as payment in full for the loan. The remainder of the net proceeds shall represent the amount of return of equity the owner receives.
- E. The City retains the right to modify these recapture criteria to reflect current Federal and City policy and requirements.

DECLARATIONS: I (we) understand that to be eligible to participate in the Homeport Program I (we):

- Must meet income guidelines for the program
- Must have 1% of purchase price or \$1,000, whichever is greater, or more of the purchase price in cash down payment
- Must occupy the property as my (our) primary residence
- Have no more than \$15,000 in net liquid assets
- Must successfully complete a series of homebuyer education classes
- Must not owe any outstanding taxes or service fees to the City or Town I (we) live in
- NOTICE: Consumer reports (credit reports) may be obtained in connection with this application. If you request it,
 - You will be informed whether or not consumer reports were obtained
 - If reports were obtained, you will be informed of the names and addresses of the consumer reporting agencies (credit bureaus) that furnished the reports.
- As part of the loan application process, an eligibility worksheet will be completed by the participating bank and reviewed by the City for program eligibility. In addition, a Housing Quality Standards inspection is also required for eligibility.
- The undersigned understands that the City loan includes recapture provisions, which will be included in its mortgage.
- The undersigned understands that this information may be made available to the participating bank.
- The undersigned represents that all statements made in this application are true and are made for the purpose of obtaining credit through the HOMEPORT program. Verification may be obtained from any source named in this application.

APPLICANT: _____ DATE: _____

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If you have any questions about the Program or application, please call Ronda Jones, Loan Officer, Portland City Hall at 874.8698, or email rej@portlandmaine.gov