



Canton Down Payment Assistance Program
Provided in partnership by the City of Canton and Community Building Partnership

Preliminary Buyer Disclosure Statement

SECTION I: OBJECTIVES OF THE PROGRAM

To increase the accessibility of homeownership for low-moderate income households.

For many potential homebuyers, the biggest barrier to homeownership is the down payment and closing costs. The City of Canton Down Payment Assistance (DPA) Program has been designed to assist eligible, low-moderate-income first time homebuyers, that reside within the City of Canton corporate limits, by providing up to \$5,000, as a 0% interest rate deferred loan, forgiven at the end of five years.

The DPA program has been developed with HOME Investment Partnership (HOME) program funds, provided through the U.S. Department of Housing and Urban Development (HUD).

This program is provided in partnership by the City of Canton and Community Building Partnership.

SECTION II: APPLICANT ELIGIBILITY

1. Eligibility to receive down payment assistance is dependent upon the annual gross household income (*from all sources and all household residents over the age of 18*), and the household size (*the number of people who will reside in the home*).
 - The maximum household income limit for a purchaser must be equal to or less than 80% of the Area Median Income as established annually by the U.S. Department of Housing and Urban Development (HUD). There is ***no flexibility*** in these income limits.
 - The house being purchased is in the City of Canton's corporate limits.
 - Within the Neighborhood Revitalization Strategy Area (NRSA), Census Tracts 7001, 7015, 7017, 7018, 7021 and 7023, the maximum household income limit is 120% of the Area Median Income.
 - The income limits by household size are based upon the most recently issued income data as of April 2022. The limits are updated annually, and the program is subject to the most current HUD published limits.
 - Additionally, asset income is calculated and added to regular income in order to **project** anticipated annual income (using HUD's Part 5 Annual Income Calculations). In order to do this, the City of Canton collects three months of paystubs, six months of bank statements and current asset statement. Earned income of a minor (under 18 years of age) is not included in the calculations however, unearned income attributable to a minor, such as child support, is counted.
 - In the event there is a non-working adult in the household who is not receiving any form of income, a signed and notarized Unemployment

Certification is required. In addition, the applicant must present a written letter as to the surrounding circumstances.

2. HOME funding requires that the down payment assistance be utilized by first-time homebuyers as per HUD guidelines:
 - Has not owned a home in the last three (3) years.
 - A single parent or displaced homemaker who has only owned a home with a former spouse.
 - An individual who has only owned a principal residence not permanently affixed to a permanent foundation in accordance with applicable regulations.
 - An individual who has only owned a property that was not in compliance with state, local or model building codes and which cannot be brought into compliance for less than the cost of constructing a permanent structure
3. Household assets, including but not limited to savings accounts, must not exceed \$15,000. Assets are liquid assets such as cash, checking, savings, cd's, stocks, bonds and mutual funds.
4. The homebuyer shall be required to reside in the property as their principal residence during the entire 5-year affordability period. The loan shall be evidenced by a Promissory Note secured by a mortgage on the property, which shall be forgiven at the end of 5 years. The City of Canton has adopted the Recapture Policy for first-time homebuyers receiving assistance; meaning that if for some reason a homebuyer has sold their house or moved before the 5-year principal residency period has ended, the entire original mortgage would be recaptured by the City.
5. The assistance from the City can be used for down payment and/or for closing costs, in excess of the required buyer contribution of \$500.00. The Affordability & Subsidy Analysis Worksheet will determine the subsidy from the City of Canton.
6. Applicants will be required to attend a certified housing counseling certificate course offered by Community Building Partnership, a HUD-Approved Housing Counseling Agency. Preapproved buyers will be informed on the process of how to participate in an online course.
7. Potential homebuyers must be able to obtain a commitment from a bank, savings and loan association, credit union or other private lending institution for the funds required for a first mortgage to purchase the home. The lending institution is solely the choice of the applicant. The loan must collect escrow funds and pay the property taxes and homeowner's insurance premium. Lenders are to provide a thirty (30) year, fixed rate mortgage. The City will not participate with lenders practicing predatory lending. Adjustable rate mortgages will not be considered.

FHA & conventional loans are approved services. Other sectors are subject to the staff's investigation of the lending services before approval.

8. The City of Canton will provide up to \$5,000.00 of the primary lender required down payment and closing costs, as long as the buyer pays at least \$500.00 towards the transaction. Furthermore, the additional funds provided by the clients cannot exceed a total of \$2,500.00, unless there are documented funds available. When the subsidy analysis is completed, applicants must have a front-end debt ratio (monthly principal, interest, taxes and insurance) not exceeding 31% of Gross Monthly Income and a back-end debt ratio (PITI, credit cards and all recurring debt) not exceeding 43% of Gross Monthly Income. This will be determined using the income calculations, household budget and credit report on file. This requirement ensures sustained affordability for the homebuyer.
9. Initial income and asset determination will be made to assist the client in moving forward in the program. However, final eligibility cannot be determined without loan offers, purchase agreement, appraisal and property inspection. All approvals will remain contingent on those items, as well as the final Loan Disclosure and ALTA which are made available before closing. A complete application is defined as one that is entirely filled in and signed and in which a preapproval, purchase agreement and property card are present.

SECTION III: PROPERTY ELIGIBILITY

Eligibility is restricted to existing and newly constructed single-family homes in the City of Canton corporate limits with a maximum purchase price not to exceed the amounts below:

Existing Homes	\$152,000
New Construction	\$251,000
Effective 6/1/2022	

- 1) The property must be owner-occupied or vacant. Homes currently rented are not eligible, unless currently rented by the buyer. There is a required voluntary acquisition form. The property owner must be willing to make repairs as needed to meet the City of Canton homebuyer assistance program corrections. For this reason, foreclosed homes are not eligible for this program.
- 2) Prior to the closing, the house must be free of defects that pose an immediate danger to health and safety. Identified hazards include, but are not limited to, defective furnaces, water heaters, wiring, windows, water leaks, missing hand rails, inoperable or absent smoke detectors, non-grounded outlets, deteriorated roofs, and unsanitary conditions. The City of Canton's inspector is required to inspect the property, provide a list of required corrections and afford the owner the opportunity to make corrections prior to the sale of the property.

- 3) If the property is located in a flood zone, flood insurance must be purchased prior to or at the loan closing. The City of Canton requires flood insurance for all properties in flood zones.
- 4) The homebuyer must agree to reside in the property as their principal residence for the entire 5-year period of affordability; as designated by the Mortgage Loan Agreement with the city. The City of Canton will mail an Occupancy Certificate annually, requesting that the homebuyers attest and sign to the fact that the home remains their principal residence. Submitting this form assists in maintaining compliance with the City of Canton's forgivable second mortgage and is mandatory to complete each year.

SECTION IV: ELIGIBLE ACTIVITIES

The City of Canton will provide a forgivable loan, not to exceed \$5,000.00 to eligible homebuyers for any combination of the following:

Down payment assistance:

The City of Canton can provide the lender required down payment, not to exceed \$5,000 total, as long as the buyer provides \$500.00 in personal funds.

Closing cost assistance:

Eligible closing costs include appraisal fee, credit report fee, recording fee, processing fee, title examination, origination fee and inspection fees and prepaids.

SECTION V: APPLICATION PERIOD

1. Due to the interest in the program and the limited resources available, assistance will be offered on a first-come, first-serve basis, as funding is available. A waiting list will be kept and numbered whenever a limitation of funds becomes apparent.
2. Action plans will be created to track progress and all activity regarding the applicant's application.
3. Community Building Partnership may not provide tax or legal advice to the client.
4. An applicant's file will be subject to closure if there are three documented, non-responsive attempts from Community Building Partnership to the applicant. If an applicant's file is closed, they will be required to start the process from the beginning.

SECTION VI: PROGRAM PROCEDURES

1. After the buyer completes the application for assistance, a financial interview will be scheduled with Community Building Partnership. This interview will determine eligibility by verifying household size, household income and household debt.
2. Community Building Partnership will inform buyer that they are responsible to pay \$500 toward the purchase of their home. This could be the deposit, and/or any money paid toward the loan; such as upfront appraisal costs. This could also be deposited at closing.
3. The buyer will complete homebuyer education/counseling.
4. The Canton Down Payment Assistance program requires the buyer to obtain a mortgage pre-approval. The monthly mortgage payment should not exceed 30% of annual gross income (includes principal, interest, property taxes and insurance).
5. The Canton Down Payment Assistance program requires the buyer to provide a copy of their signed purchase agreement.
6. Once Community Building Partnership has determined the pre-qualification of buyer (income eligibility, mortgage pre-approval, purchase agreement) a notification will be sent to the City of Canton's Program Manager.
7. The City of Canton's Department of Community Development will inspect the property to determine code compliance. A report will be given to Community Building Partnership.
8. The City will verify the buyer is current on any indebtedness to the City of Canton.
9. The City of Canton will issue a Certificate of Compliance to Community Building Partnership once the house passes inspections and no delinquencies have been verified.
10. Community Building Partnership will issue the Canton Down Payment Assistance Program Approval to the buyer, lender, and realtors.
11. Community Building Partnership will work with the lender and closing agent to determine the final assistance amount.
12. Final Assistance Determination is sent to the City for review and for the preparation of Note/Mortgage and Recapture Agreement.
13. Community Building Partnership will provide the down payment and/or closing cost assistance at the loan closing.
14. At the closing, the buyer must sign a Note, Mortgage and Recapture Agreement for the amount of assistance provided and agrees to reside in the home for five years.

SECTION VII: PROPERTY TRANSFERRED/REFINANCED

1. If the home is sold, the title has transferred or the home becomes non-owner occupied within the 5-year Affordability Period the **entire loan amount** will be due and payable to the City of Canton. Residency must be five continuous years from the mortgage date. In the event of foreclosure during the affordability period, the amount subject to recapture/repay is based on the amount of net

proceeds from the foreclosure sale available after the first mortgage has been satisfied.

- 2. The City of Canton Department of Community Development will consider subordination of its mortgage liens which secure loans made under the HOME program, based on certain criteria.

I declare that I have read the terms and conditions of the City of Canton’s Down Payment Assistance program.

Homebuyer

Date

Print

Homebuyer

Date

Print

Once Community Building Partnership and the City of Canton’s Department of Community Development have determined that both the applicant and the house have met Down Payment Assistance program eligibility requirements, the applicant will receive an award letter from Community Building Partnership.

At such time, Community Building Partnership will coordinate the closing with the lender and the title agency. They will prepare a check for the funds, attend the buyer’s closing and execute the City of Canton Down Payment Assistance Program Agreement and Promissory Note. Community Building Partnership must obtain a copy of the recorded Mortgage for their file.

