

Sweet Home Columbus

Down-Payment Assistance

PROGRAM POLICIES AND PROCEDURES



Purpose

The Sweet Home Columbus (SHC) program is designed to assist low-income persons and families with the purchase of their own homes. SHC assistance can be used toward an eligible buyer's down-payment or closing costs or can be used as direct financing that reduces the size of a buyer's primary loan (i.e., first mortgage) to a level that is affordable.

The Sweet HOME Columbus down payment assistance program is funded through the Home Investment Partnerships Program (HOME), a federal grant awarded to the City of Columbus through the U.S. Department of Housing and Urban Development. HOME funds are provided as a loan or lien that enforces certain programmatic restrictions. This lien is generally placed in a subordinate position to the homeowner's first mortgage provided by a for-profit or non-profit lender.

The following policies are applicable to all homebuyer units supported by the PJ's HOME program. The guidance herein is applicable whether Sweet Home Columbus funds are provided directly by the PJ or through any of the PJ's subrecipients, developers or contractors.

Eligible Participants

There are three primary eligibility requirements for participation in the Sweet Home Columbus program. They are:

- A. **The applicant(s) must be a low-to-moderate income family or individual.**
Low-to- moderate income means the individual or family must have a gross income that does not exceed 80% of the area median income, as determined by HUD, with adjustments for smaller or larger families. Gross annual income is defined as all income anticipated and received from all sources by each family member residing in the home 18 years or older over the next *twelve months*. The income limits established by HUD for the Columbus Metropolitan Statistical Area (MSA) are adjusted annually. The most recent published income limits are listed below:

2024 Income Limits

1 Person - \$ 39,500

Persons - \$ 45,150

3 persons - \$ 50,800

4 Persons - \$ 56,400

5 Persons - \$ 60,950

6 Persons - \$ 65,450

7 Persons - \$ 69,950

8 Persons - \$ 74,450

- B. Prior to the lender submitting a Sweet Home Columbus application package to the Community Reinvestment Department, **the applicant must attend an 8-hour homebuyer counseling seminar conducted by a HUD-approved counselor and counseling agency.** A map of HUD-approved agencies can be found at: <https://hudgov-answers.force.com/housingcounseling/s/>. Housing counseling can be conducted in person, by phone or via the internet. The applicant must obtain a completion certificate within 12 months of closing.
- C. **For the time specified in the promissory note (period of affordability), the homebuyer must occupy the property as their principal residence.** To ensure the participant maintains the property as their principal residence, a security deed with a deed covenant for the assistance received shall be filed and recorded in Muscogee County real estate office for compliance.

Eligible Properties

Eligible properties for purchase under the Sweet Home Columbus program are limited to new or existing single-family houses. Single-family housing means a one-to-four-family residence, condominium unit, cooperative unit, combination of manufactured housing and lot or manufactured housing lot. To be eligible for purchase with HOME assistance, dwelling structures must pass the International Building Codes as most currently utilized by the City and must also meet all applicable Lead Based Paint Standards found at §92.251(c)(3). No funds may be committed to a HOME activity or project prior to the completion of an environmental review.

Assistance to Eligible Participants

Each eligible homebuyer can receive up to \$30,000 in down payment assistance. The amount of assistance each buyer will receive is determined through the underwriting process and is based upon buyer need.

Down payment Assistance Amount	Affordability Period
\$0 - \$14,999	5 years
\$15,000 - \$30,000	10 years

An additional amount of \$1,000 may be utilized for pre-paid(s) (taxes and insurance), up to 5% of the sales price plus \$1,000.

Application Process

To apply for Sweet HOME Columbus, an applicant must complete the following steps:

1. The applicant must attend an 8-hour homebuyer counseling seminar conducted by a HUD-approved counselor and counseling agency. The applicant should obtain a certificate of completion, which must not be dated more than 12 months prior to the closing date.
2. The applicant must be pre-approved by a Sweet HOME Columbus certified lender. The pre-approval process will establish the buyer's income eligibility and debt to income ratio, and if so, will inform the buyer of the amount of senior loan that the applicant is eligible for. The senior loan must meet the City's Responsible Lending criteria, as stated in this policy.
3. The applicant must select a home for purchase. The purchase price of the house may not exceed 95% of the median area purchase price, as required by Section 215(b) of the National Affordable Housing Act. The median area purchase price for existing and new purchases is set by HUD annually. The HOME homeownership value limits may be found at:
<https://www.hudexchange.info/resource/2312/home-maximum-purchase-price-after-rehab-value/>
4. Once the applicant identifies a house for purchase, the applicant should work with their lender to complete the Sweet HOME Columbus application packet. To be considered complete, the packet must include all items listed on the SHC Checklist.

5. Once the SHC packet is completed, the lender will submit the packet to CRD staff for internal review. In addition to checklist items, CRD staff must ensure that the following items are completed or reviewed:
 - Housing Counseling Certificate
 - Pre-Approval Letter
 - Mortgage Loan Application (Dated & Signature Endorsed by Purchaser)
 - Save Affidavit (U.S. Citizenship)
 - Affidavit of Homebuyer Eligibility
 - Proof of income (Documents)
 - Debt to Income Ratio
 - Statement of Authorization
 - Copy of Credit Report
 - Purchase & Sale Agreement
 - Lead Base Paint Disclosure (if applicable)
 - Residential Appraisal
 - Affidavit of Residential Structure Eligibility
 - Property Inspection Report
 - Explanation of City's Loan

6. After reviewing the SHC packet and completing the environmental review, CRD staff will sign and submit a certificate of program eligibility (COPE) to the lending institution. The COPE, found on the last page of the application packet, serves as the departmental approval of the SHC loan for processing. The COPE expires 90 days from the date it is issued.

7. Along with the COPE, CRD staff will provide the lender with contact information for the city's closing attorney. The lender must reach out to the CRD Program Coordinator. The lender must allow at least 10 business days for the CRD Program Coordinator to prepare these documents.

8. The lender must notify the CRD HOME Coordinator of the closing date. CRD staff will attend the closing and provide the buyer's written agreement, closing documents and the down payment assistance.

9. Within 5 business days, the senior mortgage closing attorney must return to the CRD staff the signed documentation plus copies of other documents from the

senior mortgage closing that are necessary to demonstrate the purchase was closed in compliance with program guidelines.

10. After closing, the CRD Program Coordinator will file and record the security deed and deed covenant in the Muscogee County real estate office to ensure the participant maintains the property as their principal residence.

Underwriting

In aiding homebuyers, the City of Columbus must balance potentially competing perspectives. First, the City of Columbus wants to ensure that participating buyers will be successful homeowners, so the program should target households who are ready for homeownership and provide enough assistance to make the home affordable. At the same time, buyers should only be provided with the assistance they “need” so that the program can serve as many households as possible with limited HOME funds. Finally, the City of Columbus seeks to ensure that assisted buyers are informed consumers and avoid the use of risky lending products.

Key Principles

To balance these priorities, the City of Columbus has developed these underwriting guidelines, which are based on the following key principles.

1. **Assisted buyers should have good credit and qualify for competitive lending products on par with those offered to credit-worthy unassisted buyers in the local market.** Buyers who can only qualify for subprime loans are not only less likely to sustain homeownership but also require larger subsidies, reducing the impact of the Sweet HOME Columbus program.
2. **Assisted buyers should make reasonable and meaningful contributions to their home purchase in terms of both up-front investments and monthly payment without being overburdened by their monthly payment or left without cash reserves after closing.** HOME assistance should not be used to artificially reduce buyers’ payments, particularly when a buyer’s ability to qualify for a loan is hindered by excessive consumer debt.

All Sweet HOME Columbus projects must be underwritten prior to project commitment (as evidenced by a signed loan commitment voucher) and the written agreement execution date (date of closing).

Income Determination

The City of Columbus limits eligibility to buyers with incomes below 80% of the Area Median Income (AMI), as adjusted for household size. Income eligibility is determined using 24 CFR Part 5 definition. Under this definition, the annual income for the household is determined by the total gross income of all adult household members (18 years and older) that is anticipated in the next 12 months.

A complete income determination should consider a wide range of income types including wages, business income, interest/dividends, retirement or insurance income, unemployment or disability income, welfare assistance, alimony or child support, gift income, armed forces income, rental income or Section 8.

The CRD or subrecipient reviewer should request all appropriate forms of documentation. Examples of appropriate documentation may include pay stubs, tax returns (last 3 years), bank statements, pension letters, award letters, divorce decrees, or letters from government agencies providing public assistance.

The following adjustments will be made:

- Significant sources of income such as social security benefits, child support payments, or the like that will not continue for three (3) years will be excluded. For example, while child support received for a 16 ½ year old is included in the Part 5 definition of income because it will continue over the upcoming 12 months, the source of income will cease in about a year and a half when the child turns 18 and should not be counted on in sizing the buyer's mortgage.
- Any imputed income from assets will be excluded for underwriting purposes.

If more than six months have elapsed since the family was qualified as income eligible, CRD or its subrecipient must re-examine the family's income prior to the HOME assistance being provided.

Buyer Expectations

While the City of Columbus is concerned about the housing needs of the lower income households, it also recognizes that homeownership requires buyers to have sufficient discretionary income to maintain their homes over time, absorb increases in taxes and insurance, and otherwise address unexpected expenses.

To ensure that buyers are likely to sustain homeownership, the City of Columbus requires the following:

- The buyer should select a home with a reasonable purchase price, which does not exceed the fair market value as determined by an independent appraisal. In most cases, the City of Columbus will coordinate with the buyer's senior lender to obtain a copy of the lender's appraisal. Additionally, the home must have a sales price less than or equal to the applicable HOME Homeownership Value limit for the type (new or existing) and location of the home.

Columbus, GA-AL HUD Metro FMR Area HOME Homeownership Sales Price Limit for 1 unit (effective 9/1/24)
\$234,000

- The buyer contributes at least \$1,000 toward down payment and closing costs.
- The buyer obtains a loan whose monthly payment (i.e. front end ratio) does not exceed 33% of monthly income and that does not result in a total debt burden (i.e. back end ratio) in excess of 43%. While the recent foreclosure crisis has reduced the availability of lending products that allow buyers to take on excessive monthly payments, some such products are still available. Even when assisted buyers are willing to take on larger monthly payments, the City of Columbus has determined that buyers with excessive payments are less likely to sustain homeownership.
- The buyer must be qualified by their lender to spend at least 20% of their monthly gross income on housing. Lenders often qualify borrowers to spend between 28-33% of monthly gross income, so buyers qualifying only at payment levels below 20% of income usually have high consumer debt which increases both subsidy costs and the likelihood of foreclosure later.

Note: This criterion is not intended to eliminate buyers whose loan is limited by the lender's loan-to-value ratio resulting in a monthly payment less than 20% of income. For example, if a buyer could qualify to purchase a \$100,000 home at a 28% ratio, but because the household is purchasing a \$50,000 home, the actual payment will be less than 20% of monthly income.

- The buyer must complete all applicable steps in the Application Process, described in this policy, including completing HUD-approved

homeownership counseling and obtaining a mortgage or senior loan that meets the requirements.

Special Cost Considerations

To ensure that other non-housing, non-debt costs do not unduly threaten an assisted buyer's ability to afford their mortgage, the City of Columbus takes additional expenses into account which may affect the buyer's spending power. The lender must consider the following non-discretionary fixed costs when determining the back end ratio:

- Dependent care expenses, including child or elder care expenses that are necessary to allow adult members of the household to work, in excess of 15% of gross income.
- Court ordered child support or alimony payments in excess of 20% of gross income;
- Out of pocket health insurance premiums in excess of 10% of gross income.

In the event any such expense exceeds the limit, or the combination of such expenses exceeds a combined total of 25%, the maximum back-end ratio allowed will be reduced by the overage. For example, if a household has no dependent care or court ordered payments but has health insurance premiums equal to 15% of gross income, the back-end ratio will be limited to 38% (43% minus the 5% by which the health care premium exceeds 10% of income).

In cases where fixed costs are in excess of these limits, the proposed monthly housing payment – inclusive of principal, interest, taxes, insurance, and any mortgage insurance or association fees – cannot exceed the household's existing housing payment (e.g. rent or payment on a prior home) by more than 10%.

Responsible Lending: Senior Loan Expectations

To ensure that buyers receive high quality loans that are sustainable over time, the PJ requires that any buyer receiving HOME assistance towards down payment assistance receive a senior loan that meets the following criteria:

1. The loan must be:
 - A "Qualified Mortgage" under the requirements of the Consumer Protection Financial Bureau (CFPB) outlined at 12 CFR 1026.43 (e); or
 - A mortgage exempt from Qualified Mortgage Standards, including mortgages from:

- The state housing financing agency
 - USDA Rural Development
 - Habitat for Humanity or another direct lending nonprofit approved by the Community Reinvestment Department
2. Interest rates must be competitive. The program disallows “higher priced” loans, or those senior loans with interest rates that are more than 1.5% above the “average prime offer rate” reported by the Federal Financial Institutions Examinations Council (FFIEC).
 3. The senior loan must be a fixed rate loan. Adjustable-Rate Mortgages (ARM’s) and balloon mortgages are not authorized under this program.
 4. The loan must be fully amortizing over a 30-year term. Shorter term or longer-term loans through the SHC program must be underwritten and approved by the Director of Community Reinvestment as an exception in writing.
 5. Loan products used must generally allow loan-to-value (LTV) ratios of at least 95%. While assisted buyers are not required to be approved for loan amounts equal to 95% of the purchase price, buyers who use more restrictive lending products (such as those limited the LTV to 80%) will not receive HOME assistance toward their purchase if they could otherwise afford the monthly payment on a larger loan consistent with these underwriting guidelines. Buyers are expected to obtain the largest loan they can reasonable afford and the PJ will not subsidize purchases more deeply just to avoid mortgage insurance on higher LTV lending products.

Written Agreement

The City of Columbus is responsible for managing the day-to-day operations of its HOME program, ensuring that HOME funds are used in accordance with all program requirements and written agreements, and taking appropriate action when performance problems arise. The performance and compliance of each subrecipient must be reviewed at least annually. The City of Columbus must have and follow written policies, procedures, and systems, including a system for assessing risk of activities and projects and a system for monitoring entities consistent with this section, to ensure that the requirements of this part are met.

Executing a written agreement

The City of Columbus must enter into a written agreement with the homebuyer before providing any direct down payment assistance to the buyer. Where the City utilizes subrecipients or contractors to administer all or a part of the Sweet HOME Columbus program on behalf of the City, the City must also enter into a written agreement prior to disbursing any HOME funding.

Provisions in written agreements

The contents of the agreement may vary depending upon the role the entity is asked to assume, or the type of project undertaken. For homebuyers, the agreement must conform to the requirements in § 92.254(a), stating the value of the property, principal residence requirement, and the recapture provisions. The agreement must specify the amount of HOME funds, the form of assistance, e.g., grant, amortizing loan, deferred payment loan, the use of the funds (e.g., down-payment, closing costs, rehabilitation), the time by which the housing must be acquired, and the term of the affordability period.

This section details basic requirements by role and the minimum provisions that must be included in all SHC written agreements.

- **Use of the HOME funds**

The agreement must describe the amount and use of the HOME funds - to provide down payment assistance or to administer a program which provides down payment assistance.

For subrecipients and contractors administering a SHC program, the written agreement should include the type and number of housing projects to be funded (e.g. the number of single- family homeowner loans to be made or number of homebuyers to receive down payment assistance), tasks to be performed, a schedule for completing the tasks (including a schedule for committing funds to projects that meet the deadlines established by this part), a budget for each program, and any requirement for matching contributions. These items must be in sufficient detail to provide a sound basis for the Community Reinvestment Department to effectively monitor performance under the agreement.

- **Affordability Period**

The agreement must require housing assisted with HOME funds to meet the affordability requirements of [§ 92.252](#) or [§ 92.254](#), as applicable, and must require repayment of the funds if the homebuyer does not comply with the affordability requirements for the specified time period. For subrecipients, the agreement must state if repayment of HOME funds or recaptured HOME funds must be remitted to the City or retained by the subrecipient for additional eligible activities.

- **Program Income**

For subrecipients, the agreement must state if any program income is to be remitted to the City or to be retained by the subrecipient for additional eligible activities.

- **Uniform administrative requirements**

The written agreement must require the subrecipient to comply with applicable uniform administrative requirements, as described in [§ 92.505](#).

- ***Records and reports***

The written agreement must specify the particular records that must be maintained and the information or reports that must be submitted in order to assist the City in meeting its recordkeeping and reporting requirements.

- ***Enforcement of the agreement***

The agreement must provide for a means of enforcement of affordable housing requirements by the City. The affordability requirements in [§ 92.252](#) must be enforced by deed restriction. In addition, the agreement must specify remedies for breach of the HOME requirements. The agreement must specify that, in accordance with [2 CFR 200.338](#), suspension or termination may occur if the subrecipient materially fails to comply with any term of the agreement. The City may permit the agreement to be terminated in whole or in part in accordance with [2 CFR 200.339](#).

Recapture Provisions

Down payment assistance offered through the Sweet HOME Columbus program is provided in the form of a zero percent (0%) interest loan. If the buyer maintains the home as their principal dwelling for the entire period of affordability, the loan is

forgiven, and no repayment is required. However, if the buyer sells, rents out or otherwise transfers the property during the period of affordability, a portion of the SHC loan must be repaid. For each year that the buyer remains principally housed in the residence, the loan amount decreases in equal proportions until the end of the affordability period.

For example, if a buyer received a \$10,000 loan with a 5-year affordability period, each year that the buyer remained principally housed in the residence, the loan would decrease by \$2,000. By the end of Year 5, the loan would be forgiven. If the buyer sold the house after Year 3, the buyer would be required to repay \$4,000 to remove the lien from the title.

If a property goes into foreclosure the recapture amount is based on the net proceed available from the sale. The net proceeds are the sales price minus the senior loan repayment and closing costs. If there are no net proceeds from the foreclosure or sale of the property, the loan is not required to be repaid, and loan requirements are considered satisfied. In the event the net proceeds from the sale are less than the principal amount, only the net proceeds are payable.

Refinancing

The City of Columbus has an ongoing interest in the success of its HOME-assisted homebuyers, limiting the loss of HOME funds, and avoiding the impact of foreclosures on the City's neighborhoods. Refinancing of senior (first) mortgages will be permitted and the HOME loan will be subordinated to the new senior loan *only* under the following conditions:

- Any new loan must meet the City's Responsible Lending requirements listed above.
- The City of Columbus will subordinate to refinancing subject to the following conditions and limitations:
 - Only the following purposes to take "cash out" through a refinancing transaction are permitted:
 - To complete needed repairs to the home;
 - To pay for the costs of post-secondary education by a homeowner or an owner's dependent; or
 - To pay for a medical emergency
 - The cash proceeds of the refinancing must be escrowed with the lender or the City of Columbus and disbursed directly to the approved third party.

- Any cash out refinancing must result in a total loan-to-value ratio (including the HOME loan) of 90% or less.
- The proposed new loan must be affordable to the assisted owner within the lending ratios contained in the Buyer Expectations section above based on current income. In no case may the monthly payment on the new loan exceed the original monthly payment by more than 10%.
- Income eligibility is not required for any refinancing. If the owner's income has risen above 80% AMI, there is no violation of HOME.

Applicants should contact the CRD Program Coordinator via email to make requests to subordinate HOME loans.

Revisions

As appropriate, changes in the Sweet Home Columbus down-payment assistance program to be revised when necessary and will require approval of the Columbus, Georgia City Council or the Community Reinvestment Department Director.

Compliance

The Community Reinvestment Department will monitor the program to assure compliance with all rules and regulation pertaining to the program, including but not limited to affirmative action to encourage Disadvantaged Business Participation (MBE/WBE) and affirmative Marketing Policies and Procedures found in the HOME Policies and Procedures Manual.

Subrecipients and contracts working with the SHC program must abide by the terms of their written agreements. The Community Reinvestment Department reserves the right to refuse to allow its assistance proceeds to be disbursed by, and its loan closed by, any subrecipient or contractor that is chronically tardy and uncooperative in returning documentation.

Violations of SHC policy will result in the following administrative actions:

- First Offense: Results in a one (1) year suspension of the organization from participating in the program.
- Second Offense: Results in permanent expulsion of the organization from participating in the program.