

EUCLID DEVELOPMENT CORPORATION

585 East 222 Street, Euclid, Ohio 44123

Phone (216) 289-4625 – info@edcor.org

Program Description for Euclid Development Corporation (EDCOR)

Down Payment Assistance Loan Program

Guidelines for All Participants (Purchasers, sellers, real estate agents, lenders and title/escrow professions.)

This program guide attempts to describe the rules of the road for use of a new and very special first-time home buyers' down payment assistance loan program. The initial funding was made available through a federally provided HOME grant as is all further funding. All participants should be aware that there are several complex interactions and critical documents which go into bringing a successful real estate transfer to a close. Since this is a first time home buyer loan, at least one of the participants is typically inexperienced in the steps needed to make such a program work.

Three Step Program

To help keep this process organized we are going to break the transaction into three major steps. They are:

Step One - Qualifying the purchaser.

Step Two - Qualifying the property/sale.

Step Three - Closing the deal.

Step One - Qualifying the Purchaser

The purchaser is not necessarily an individual person. In this program the purchaser is a household, and all its members must be counted. The purchaser must meet four basic requirements as follows:

- 1) Collectively, they must not exceed income requirements based on household size (see Income Table provided in the program Rules and Requirements.)
- 2) They must not own another home or have owned another home within three (3) years. An exemption is available for those people who are recently divorced.
- 3) They must learn about borrower and homeowner responsibilities before taking on the loan. (Take a HUD certified class.)

- 4) They must be legal U.S. residents who can provide a minimum 3 ½ % downpayment through their own sources, including family gifts, but not seller givebacks.

The purchaser's application begins by collecting information and documents to verify household income and to determine eligibility for the Down Payment Assistance program. It is best to start this process before the purchase decision has been made. Once the purchaser's eligibility has been determined, they will be issued a sixty-day funding commitment letter. It is the purchaser's responsibility to request a renewal of this letter. Purchasers must be aware that the funding pool is limited and there is no guarantee that expired loan commitments will be renewed.

Non-Refundable Fee:

EDCOR collects a \$100.00 non-refundable fee from the purchaser at the time of completion of a preliminary review of the application. This is the point when a 60-day loan commitment letter is issued to the prospective purchaser. This indicates to sellers and lenders that the homebuyer has been approved for participation based on income eligibility of the household. Changes in the purchaser's employment or income status between this commitment and closing may affect the purchaser's eligibility for funding.

Once this loan commitment has been obtained the purchaser is responsible to provide several documents to be included in the purchaser's file before EDCOR can fund the final loan. The purchaser or the appropriate real estate agent must deliver copies of the following documents to the EDCOR Office:

- A Certificate of Completion of a Pre-Purchase Counseling-Training Program and a Home Maintenance Training Course for each person to be listed on the home title.
- Signed Receipt of the Booklet: Protect Your Family from Lead in Your Home.
- Fully executed copy of purchase agreement for the property to be purchased.
- First mortgage loan commitment letter and all information related to establishing the title company-escrow agent and closing date.
- Documentation of purchaser's minimum three and a half percent 3 ½% equity contribution to the purchase. The equity contribution must come from personal savings or a family source. **NOTE: Down Payment Assistance Loan second mortgage cannot serve as this equity contribution requirement.**

Step Two - Qualifying the Seller and the Property.

For our program purposes the sale and the property must also qualify. It is the seller's responsibility to provide documents to qualify the sale but the purchaser's responsibility to ensure that they are delivered to the EDCOR office. EDCOR staff will not track down missing documents. A qualifying sale/property must meet the following requirements:

- 1) The purchase price of an existing home may not exceed \$166,000 or \$269,000 for a new home.

- 2) This transaction must be a voluntary sale, not a sale forced by foreclosure, such as a Sheriff's Sale.
- 3) This transaction cannot dislocate existing tenants.
- 4) The property cannot expose future residents to visible lead safety risks. (Visual lead risk assessment and clearance reports are required.)
- 5) The property must be free of violations, meaning that a point of sale inspection has been done and a valid Certificate of Inspection exists for the property.
- 6) If the purchaser is assuming violations, the first mortgage must provide for rehabilitation funds, for example a HUD 203K loan. Also, a separate assumption of violations must be completed by the purchaser with the Euclid Housing Division.

Seller's Participation in Qualifying the Property.

Lead Risk Assessment and Clearance.

An EDCOR inspector will complete a mandatory visual assessment of the purchased property - required to ensure that the property meets all applicable Federal and State Lead Paint Laws.

Properties not meeting set standards as determined by the City of Euclid and HUD **will be disqualified** from participating in the Down Payment Assistance Loan Program until the seller has had all risk areas abated by a licensed lead abatement contractor. The City of Euclid cannot be held responsible nor become a party to any disputes between buyer and seller should the property not pass the visual lead risk assessment. **The buyer will be responsible for a \$40 lead inspection fee. If there are hazards found, the buyer will also be responsible for any re-inspections necessary, which are \$40 each. (Additional fees may be charged if inspector has to wait to be let inside the home).**

City Point of Sale Clearance.

Seller should make sure that the purchaser has a copy of their Certificate of Inspection from the Point-of-Sale inspection process.

Properties not in Compliance with Point of Sale.

In the event that a seller and purchaser choose to go forward with the sale of a property with violations, a separate Assumption Agreement must be entered with the City Housing Division. There will be a City verification of the availability of rehabilitation funds and escrow requirement for those funds. The purchaser must also demonstrate the availability of a place to live while the rehabilitation is completed. No occupancy will be permitted in a house until a Certificate of Occupancy has been issued showing the property is free of violations.

The home purchaser is responsible for delivering the following three (3) additional forms related to the sale; seller's cooperation may be required.

FORM ONE

- **LEAD BASED PAINT BOOKLET; PROTECT YOUR FAMILY FROM LEAD IN**

YOUR HOME – The prospective homebuyer must read the booklet, sign and return the notification of lead hazard form “Receipt of Booklet” stapled to the booklet;

FORM TWO

- **HUD VOLUNTARY ACQUISITION NOTIFICATION LETTER** – The real estate agent should help the homebuyer complete both sides of this blue form and have it executed by the seller;

FORM THREE

- **HUD OWNERS’ CERTIFICATE OF NO DISPLACEMENT FORM** – This one-page, form must be completed by the seller even if the seller is an owner occupant (again, the real estate agent should assist the prospective homebuyer in assuring that the document is executed by the seller); and The above three (3) forms (signed originals) should be delivered directly to the EDCOR office in Euclid City Hall.

Step 3 – Closing the Deal.

No documents will be sent to the HUD Lead Agency requesting loan funds and no loan funds will be distributed to the Title-Escrow Agency until all the above documents are secured in the purchaser’s loan file in the EDCOR office.

The Second Mortgage and Promissory Note will be finalized and made available to the homebuyer for review before setting up an appointment to come to the EDCOR Office at 585 E. 222nd Street, Euclid, OH 44123-2099. All prospective homebuyers are encouraged to seek legal review and advice with these documents before signing. Purchasers should be aware that this second mortgage is forgiven to 50% and only after a period of five years.

Funds will be distributed to the Title-Escrow Agency of record on or before accepted closing date. Loan documents will be delivered to be recorded by the Title-Escrow Agency of record. Recording fees are to be apportioned to the purchaser and seller per the terms of the Purchase Agreement. If there is no language in the purchase agreement covering the cost of recording the Down Payment Assistance second mortgage and promissory note these costs will be due from the purchaser and must be collected by the title-escrow company at the time of closing.

CITY OF EUCLID

EUCLID DEVELOPMENT CORPORATION (EDCOR)

First Time Home Buyer Down Payment Assistance Loan Program

Rules and Requirements

PLEASE READ THE FOLLOWING RULES AND REQUIREMENTS CAREFULLY. IF YOU HAVE ANY QUESTIONS OR DO NOT UNDERSTAND ANY OF THE FOLLOWING, PLEASE

CONTACT THE EUCLID DEVELOPMENT CORPORATION OFFICE AT (216) 289-4625

1. PURCHASER ELIGIBILITY

- a. Applicants must be a person or persons who have not owned a home in the past three years; (exception: divorced displaced homeowners with documentation).
- b. All persons who will reside in the household must be listed on the application. Any additions to household membership prior to closing must be made known to the EDCOR staff.
- c. Homebuyers must meet federal income requirements for household size. Current annual income is defined in the Federal Regulations at 24 PFR Part 813.
- d. First mortgage payment of principal, interest, taxes and insurance shall conform to current market standards; non –conforming first mortgages will not be considered.
- e. To apply to the First Time Home Buyer Program, applicant must: Complete an
 - i. application form
 - ii. Submit all required documents related to income, employment and household status

REQUIRED DOCUMENTATION

- Signed copy of Rules & Requirements
- Copy of last two 1040 Federal Tax Returns
- Copy of last two W-2 Forms
- If self-employed, copy of last 3 years Tax Returns & Profit/Loss Statements
- Copy of last 4 paystubs for all jobs held for everyone aged 15+
- Copy of court order establishing child support payments
 - Printout of child support payments for last 6 months
- Pre-approval/pre-qualification letter from lender
- Copy of driver's license/state ID for everyone 18+ living in home
- Copy of birth certificate for anyone under 18 living in home
- Bank statements to prove ability to contribute 3.5% of purchase price
- Certificates for completed training courses
- Signed receipt of Lead Booklet

# in Household	Maximum Income
1	\$50,650
2	\$57,850
3	\$65,100
4	\$72,300
5	\$78,100
6	\$83,900
7	\$89,700
8	\$95,450

2. TERMS OF LOAN

- a. Awardees shall receive a down payment assistance LOAN of up to seventeen percent (17%) of the purchase price of a home up to a maximum loan of \$10,000.00 depending on income level. (see above)

- b. The loan will be at zero percent (0%) interest over a period of five (5) years. months of residency and occupancy of the property by purchaser. Remaining balance shall be recaptured upon resale or transfer.
- c. City will only consider subordinating it's lien on a case by case basis.
- d. Must supply 3.5 % of purchase price towards down payment.

3. PROCEDURE

- a. Applicant's eligibility determined by EDCOR staff.
- b. Applicant notified of eligibility
- c. Purchase agreement and all documents required to qualify the home and the sale are submitted by the purchaser prior to funding of the loan.
- d. Applicant must complete a HUD approved Pre-purchase Counseling and a Home Maintenance Training. A City Point of Sale inspection certificate is required for all properties as well as a visual paint assessment and clearance report.

4. ADDITIONAL INFORMATION AND INSTRUCTIONS

- a. There shall be NO debt payoff included in the first mortgage.
- b. Only the following types of loans shall be acceptable:
 - 1. VHA, FHA, or Conventional
- c. **Non-conforming, ARM or Interest Only loans cannot be taken as a primary mortgage loan, also no pre-payment penalties and no balloon payments are accepted.**
- d. Home to be purchased must be a single-family house, attached single familyhouse or condominium housing unit located in the City of Euclid.
- e. The purchase price of an older home cannot exceed \$166,000 and cannot exceed \$269,000 for a new home.
- f. Home purchased shall be borrower's primary residence and titled in borrower's name. **No co-signer's allowed.**
- g. **Applicant is cautioned to enter into a Purchase Agreement contingent upon being awarded a First Time Home Buyer down payment assistance loan by the City of Euclid.**
- h. Applicant understands that participation in the program is not a guarantee of down payment assistance.
- i. Applicant understands that, due to limited program funding, the number of first time home buyers is limited and First Time Home Buyer loans will be given on a first-come first-served basis. Approved applications and qualified applicants processed as of date of approval.
- j. Purchasers, those having received a commitment letter for down payment assistance from EDCOR, are to schedule the closing date (Title Transfer Date) **at least 45 days after the purchase agreement is accepted.** We are NOT ABLE to prepare a down payment assistance loan in less time.
- k. Purchasers, those having received a commitment letter for down payment assistance from EDCOR, are to schedule the closing date (Title Transfer Date) **at least 45 days after the purchase agreement is accepted.** We are NOT ABLE to prepare a down payment assistance loan in less time.
- l. **All loan commitments are contingent on the house and the sale qualifying. The sale must be a voluntary sale which does not displace existing occupants.**

I affirm that I have read and understand the First Time Home Buyer Program rules and requirements.

Signature

Date

Signature

Date

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DOWN PAYMENT ASSISTANCE LOAN PROGRAM

PURCHASE COUNSELING AND HOME MAINTENANCE TRAINING

WHY IS PRE-PURCHASE COUNSELING AND MAINTENANCE TRAINING REQUIRED?

The pre-purchase counseling helps first-time buyers with some of the complexities of our current borrowing environment. Banking deregulation has allowed many lending products which may not be appropriate for many home buyers. This training is designed to help you become an informed consumer in today's lending marketing.

The home maintenance training requirement (also referred to as Pre-purchase Homebuyer Education Workshop) is to help you understand some of the long-term commitments of home ownership, such as, preventative maintenance and common pitfalls of working with contractors.

WHAT DO I BRING TO THE TRAINING?

If you have it, bring a copy of your credit report. Also bring at least two (2) current pay stubs, all relevant bank and credit card paperwork you have. In general, the more information you have for the counselor the more they will be able to help you become a successful homeowner.

HOW DO I GET THE TRAINING?

While several agencies provide HUD certified training, we recommend any of the following services that offer the required training at no cost to you. The certificate may cost, however.

Breaking Chains, Inc 23300 Chagrin Blvd Beachwood 44122 216-464-0699	216-302-4468 ESOP 7000 Euclid Ave, Ste 203 Cleveland, OH Call 216-361-0718	Neighborhood Housing Services of Greater Cleveland 5700 Broadway Avenue Cleveland, OH 44127 Call 216-458-4663
Cleve Housing Network 2999 Payne Ave, Ste 134 Cleveland, OH Call 216-881-8443	Home Repair Resource Center 2520 Noble Road Cleveland Hts., OH 44121 Call 216-381-6100	NID - HCA - Ron Saddler 3030 Euclid Av. Ste 412 Cleveland, OH 44115 Call 216-752-9264
Realty Reimagined 812 Huron Rode. E, Ste 800 Cleveland, OH 44115		

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DOWN PAYMENT ASSISTANCE LOAN PROGRAM

PARTICIPATING REALTOR AND SELLER INFORMATION

The City of Euclid and its partner EDCOR are offering a down payment assistance loan of 17% of a house's purchase price up to \$10,000 for eligible homeowners. The purchase price of an existing home may not exceed \$166,000 or \$269,000 for a new home. The buyer must pay 3 ½ % of the purchase price towards the down payment. If you accept a purchase offer which uses this financial assistance, you will have to comply with five (5) requirements.

First: The sale must be an arm's length sale not a sale to a family member.

Second: This must be a voluntary sale not a Sheriff's foreclosure.

Third: No tenants can be displaced as a result of this sale. The house must have been owner occupied or vacant for a minimum of ninety (90) days.

Fourth: The property must meet point of Sale requirements and either be certified approved for sale or if there are violations, the buyer must enter into an Assumption Agreement with the City Housing Division and have a 203K loan.

Fifth: The house must pass a lead paint visual risk assessment. If the house fails the risk assessment, the owner must have all deteriorated surfaces abated by a licensed lead abatement contractor and the house must pass a post rehab lead clearance test paid for at the owner's expense. If the house does not pass the clearance, the sale will be disqualified from using the Down Payment Assistance Loan Program.

The HOME Program federal guidelines mandate that there cannot be more than two (2) square feet of defective paint per room or more than 10% of trim on any window or door. On the exterior there cannot be more than 20 square feet of defective paint on the house or appurtenant structures (including the house, garage, fence and/or shed). Defective paint refers to chipping, peeling, cracking, or other painted surfaces that are not intact. **If there is defective paint more than the above amounts at the time of the visual assessment, the property will be deemed ineligible to participate in the City's program.**

Due to the nature of this program, we ask that you allow at least 45 days for closing. All regular City of Euclid Point of Sale requirements apply.

FOR FURTHER INFORMATION:

www.cityofeuclid.com/EDCOR